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The key is which P&L is shown to partners

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A French obsession

How to defy and win the respect of the US

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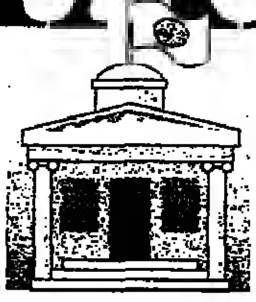

Japanese banking

Prospects of a 'Wimbledon scenario'

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FT WEEKEND

The Nazis and their insurers

TOMORROW

World Business Newspaper http://www.FT.com FRIDAY JULY 25 1997

Russian PM calls for crackdown on state monopolies

Russian prime minister Victor Chernomyrdin, often viewed as tha grey patron of the Soviet-era industrial giants, urged his cabinet to restrict the power of Russia's mighty natural monopolies, force insolvent companies into bankruptcy, and create a more favourable environment for small business development. Page 22

WTO urged to take up competition role: Sir Leon Brittan, the European trade commissioner, called on the World Trade Organisation to examine co-operation on competition issues in the wake of the row over regulatory approval of the planned Boeing-McDonnell Douglas merger, which almost triggered a trade war between the European Union and the US. "I have long believed that we need an international agreement," he said. Page 4

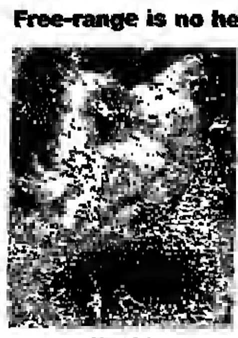
Imperial Chemical Industries became the latest victim of sterling's strength as it predicted a £150m ($250m) loss this year from adverse currency movements. Page 23

Israelis strike over telecom sale: Israel's trade union federation staged public sector strikes to protest against the government's decision to sell a 12.5 per cent stake in Bezeq, the state telecommunications company, to Merrill Lynch, the US bankers. The strikes sbut the international airport and paralysed trains, ports and utilities. Page 4

LVMH, French luxury goods group, said its plan for a three-way drinks merger with Guinness and Grand Metropolitan would add £130m ($218m) to combined profits of the new group. Page 23; Lex, Page 22

Call for genetic labelling: The European Commission will propose mandatory labels to identify foods, seeds and animal feeds which contain genetically modified ingredients. The proposal requires members' approval. Page 2

Free-range is no hen party, report says



Battery bens may be cramped but free-range chickens face pecking and cannibalism, says a UK report by Sir Colin Spedding, a professor, and chairman of the Farm Animal Welfare Council. "Hens respond to total freedom no better than bumans," he said. The Compassion in World Farming group called his report "a mealy-mouthed let-down for the hens". Page 22

SAP, the German business software company, was on course for a US share listing next year after latest figures confirmed it was enjoying the fastest growth in its 25 years. Page 23

Nazi names on Swiss bank accounts: Holocaust investigators said they had found names of several Nazi war criminals in a list of 1,872 holders of dormant bank accounts published by the Swiss Bank Association. Page 2

Philips revealed a surge in profits in the second quarter, reinforcing investors' confidence in the tough approach of Cor Boonstra, the new chairman of the Dutch electronics group. The rise was much higher than predicted. Philips stressed that it reflected improvements across nearly all its activities. Page 23

S Africa acts to halt murders: South African army units and police were drafted into KwaZulu-Natal province after an upsurge of political violence in which five African National Congress members were murdered. Page 22

Malaysian Airline System, the flag-carrier, was one of the first Malaysian companies to signal that the past weeks of currency depreciation might affect earnings, saying the fall of the ringgit would increase the cost of fuel, purchased in US dollars. Currencies weaken again, Page 6; Editorial Comment, Page 21

Cricket: England were 106 for three at the end of a rain-shortened first day of the fourth test against the Australians at Headingley. The six-match series is level at 1-1.

US jurist dies: Retired US Supreme Court Justice William Brennan, one of the most influential jurists in American history and architect of the individual-rights revolution in the law during the 1960s, died yesterday. He was 91.

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	8,031.45	(-56.91)
NASDAQ Composite	1,561.87	(-5.78)
Europe and Far East		
CAC40	2,973.53	(-30.00)
DAX	4,335.74	(-70.35)
FTSE 100	4,862.9	(-11.6)
Nikkei	20,286.23	(+155.72)

US LUNCHTIME RATES

Federal Funds	5½%	(5½%)
3-mth Treas Bills: Yld	5.22%	(5.176%)
Long Bond	102[illegible]	(102[illegible])
Yield	6.44%	(6.425%)

OTHER RATES

UK: 3-mo Interbank	6[illegible]%	(same)
UK: 10 yr Gilt	102[illegible]	(102[illegible])
France: 10 yr OAT	100.85	(101.08)
Germany: 10 yr Bund	103.46	(103.61)
Japan: 10 yr JGB	105.897	(105.707)

NORTH SEA OIL (Argus)

Brent Dated	$18.70	(18.69)

GOLD

New York: Comex	$323.0	(same)
London: close	$322.85	(324.00)

DOLLAR

New York: lunchtime		
£	1.67395	
DM	1.82985	
FFr	6.1725	
SFr	1.502	
Y	115.815	
London:		
£	1.6733	(1.6812)
DM	1.8306	(1.8273)
FFr	6.1734	(6.1816)
SFr	1.4975	(1.4864)
Y	115.98	(115.825)
Tokyo close:	Y 115.90	

STERLING

DM	3.0632	(3.0720)

Thai threat to $3.7bn road and rail scheme

Government seeks finance guarantees from developer

By Louise Lucas and Andrew Taylor in Hong Kong and William Barnes in Bangkok

The Thai government has threatened to scrap a US$3.7bn privately-financed rail and road system in Bangkok, unless its developer, Hopewell Holdings, can prove it has secured finance to complete the project.

Mr Sathien Woogvichien, deputy permanent secretary for transport and communications, said in Bangkok yesterday: "If they [Hopewell] can't do it, then we will have to rethink the whole thing." The Thai government reserved the right to end Hopewell's involvement. "I don't think I'm very optimistic," he said.

His comments follow what Hopewell Holdings described as an amicable meeting with the government last Friday to discuss the progress of the Bangkok Elevated Road and Train System (Berts).

Infrastructure problems ....Page 6

Ekran's fund difficulties ...Page 27

Hopewell Holdings, one of Asia's biggest industrial companies, said it was surprised by the comments but remained committed to the deal, which gives the Hong Kong-based company a 30-year concession to build and operate one of Asia's biggest privately-financed infrastructure projects.

Sir Gordon Wn, Hopewell chairman, denied tbe group was having difficulty raising more than US$2bn of debt for the project. Existing borrowings of HK$4.8bn represented less than 15 per cent of group net worth, leaving plenty of room for further borrowings.

Hopewell exectives are meeting bankers in London this week to complete details of the funding package. These would be presented to the Thai government early next month.

The project, originally awarded in 1991, has been plagued by wrangles and delays. Sir Gordon criticised the Thai authorities for failing to arrange full access for construction along the route, which resulted in some of his workers being arrested last week. He is also seeking an increase of 15-20 per cent in fares to compensate for the de facto devaluation of the Thai baht.

Sir Gordon said be would not take out a single loan until he had a signed contract from the Thai government resolving these issues. "Once I take bankers' money I'm in a weak position," be said. "Bankers want me to guarantee completion [of the project]."

Mr Sathien said: "We are presently looking at ways we can go on with the project, it all depends on what Hopewell comes back and tells us. If they can't do it, then we will have to rethink the whole thing." If it was scrapped, he said, the two sides would probably have to go to arbitration to work out what compensation Hopewell might receive.

Hopewell has spent US$560m of its own money so far, and claims the project is 20 per cent completed. It proposes investing $1.2bn in all. The balance will be made up of loans from export and import agencies and commercial loans.

Berts is planned to run initially for 44.5km from the international airport into Bangkok's financial district.

Time to confess: Nomura Securities president Junichi Ujiie at a hearing in Tokyo yesterday during which he acknowledged illegal activities by former executives of the company Picture: Reuter

Nomura chief admits to links with racketeers

Gillian Tett on a landmark confession in Tokyo

"I think that in some senior parts of tbe company the sense of right or wrong was a bit warped," Mr Junichi Ujiie, president of Nomura Securities, said yesterday at a hearing into the company's recent wrongdoings.

It was probably the first time that a senior executive of a reputable Japanese company had confessed bluntly and in detail to serious misdeeds.

Japanese leaders are normally masters of enphemism. Bnt yesterday, in a scruffy room in Japan's Ministry of Finance, Mr Ujiie confessed to a panel of three ministry officials and a gallery of journalists that Nomura had long had close links with *sokaiya*, corporate racketeers who blackmail company directors by threatening to disrupt shareholders' meetings.

In 1995, Nomura, wbicb until recently dominated trading in the Tokyo stock market, bad made payments of about Y320m ($2.78m) in cash to Mr Ryuichi Koike, a leading *sokaiya*. It had also illegally compensated Mr Koike for losses on a share account that be had with Nomura.

"The illegal activities constituted reckless behaviour by our former executives, inclnding the former president," Mr Ujiie said, with a deep bow.

And even thongh be bad been working in an overseas office wben the illegal activities took place, Mr Ujiie mnttered the Japanese mantra of shame and embarrassmeot: "There is no excuse."

It was just what the finance ministry officials, eager to show that they are trying to clean up Tokyo's murky financial markets, wanted to hear.

"Bnt why did Nomnra do this?" asked Mr Daisuke Kotegawa, director of the finance ministry's securities burean. Mr Ujiie said Mr Koike had held more than 300,000 shares in Nomura in the early 1990s and was threatening to disrupt Nnmura's shareholder meeting in 1995 by asking unwelcome qnestions.

Mr Ujiie admitted tbat corruption was widespread. It had involved the equity sales, marketing and general affairs departments and a host of senior managers.

Next week the government is expected to announce a peoalty for Nomura that will be the beaviest imposed on a Japanese company. Nomura exectives, inclnding Mr Hideo Sakamaki, tbe former president, have been indicted.

Mr Ujiie said Nomura would implement sweeping cbanges to its internal structure. And the individuals in qnestion would be punisbed.

"And did Nomura agree it sbould face penalties?" Mr Kotegawa pressed.

Mr Ujiie remained impassive. "I have no objections to penalties. I deeply regret wbat happened," he replied, witb another bow.

Nomura in Czech deal, Page 26

Growth in cellular operations boosts Ericsson

By Greg McIvor in Stockholm

Ericsson, the Swedish telecommunications group, saw its shares jump 7 per cent yesterday after it announced a steep half-year profits increase driven by strong growth in its mobile phones operations.

Pre-tax profits rose from SKr4.2bn ($536m) to SKr6.1bn, well ahead of market forecasts, after the company doubled earnings in the second quarter compared with the first.

Ericsson's most-traded B shares – more liquid than the A shares – responded by rising to a year-high of SKr370 before falling back to SKr353, up SKr23.50.

The strong figures helped lift tbe sbares of Ericsson's two largest competitors, Motorola of the US and Finland's Nokia. Nokia shares rose FM19 to FM444 in Helsinki, while Motorola stock firmed $[illegible] to $79[illegible] in early trading in New York.

Ericsson said sales of its mobile handsets and terminals more than doubled from SKr9.1bn to SKr18.4bn, reflecting the buoyant global market for cellular equipment. The company said downward pressure on prices due to stiff competition bad abated.

Analysts said this suggested Ericsson had been able to hold or even increase margins in mobile phones, although the group's gross margin contracted from 42.6 per cent to 41.9 per cent. Mr Lars Ramqvist, Ericsson chief executive, said he had expected competition to be more intense.

Mr Richard Kramer, telecommunications analyst at Goldman Sachs in Loodon, thought the figures vindicated Ericsson's decision some 18 months ago to be more aggressive in tbe mobile handset market. "They are now clearly taking market share aod have as mucb or more momentum than any other global handset operator," be said.

Ericsson said currency swings, notably the strong US dollar aod weak krona,

Continued on Page 22

Lex, Page 22

All lines busy, Page 26

UK publishes proposals for Scottish parliament

Devolved assembly to have extensive powers

By John Kampfner in London

The most far-reaching change to the British constitution for almost three centuries was set in train by the government yesterday as it announced plans for a Scottish parliament with extensive legislative powers.

Presenting a white paper to a House of Commons which will see its jurisdiction diminish, Mr Donald Dewar, the minister responsible for Scottish affairs, said the proposal to create Scotland's first legislative body since the 1707 Act of Union "recognises Scotland's distinctive identity and the strong ties which bind us together as one united kingdom".

However, the proposals – almost certain to be endorsed by Scottish voters in a referendum on September 11 – were denounced by Conservatives, who have no Scottish MPs, as "dangerous, damaging and dishonest" and fanning the flames of independence.

The document sets ont in detail the future demarcation between Westminster and the new parliament in Edinburgh, which is expected to be fully operational in January 2000.

Flying the flag for Scotland in an Edinburgh store yesterday

Mr Dewar said that, in contrast to the last devolution proposals that were rejected on a technicality in 1979, London would have no powers to override decisions within the remit of the Scottish parliament.

Elections for a 129-strong single-chamber parliament are expected in early 1999 under a system combining proportional representation and traditional first-past-the-post constituencies.

Jurisdiction over domestic policy areas, such as health, education, home affairs and the law, environment, agriculture, transport, local government, sports and the arts would be transferred to the Edinburgh parliament.

But decision-making over foreign policy including relations with the European Union, defence, macroeconomic decisions, policy towards business and UK-wide fiscal policy would remain at Westminster.

The Scottisb parliament would, pending approval in a supplementary question in the referendum, bave the right to vary income tax rates by 3 percentage points.

Value added tax, corporation tax, national insurance, competition policy, and regulation would not be affected in Scotland.

A complax jndicial procedure would be invoked to settle disputes over legal powers.

Mr Tony Blair, the prime minister, has promised to campaign strongly for a "yes, yes" vote. Mr Michael Ancram, for the Conservatives, said the proposals would "marginalise Scotland within the UK".

Scottish parliament takes shape, Page 8; Lex, Page 29

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Dealer in stolen Jewish art and Hitler's photographer among names found by investigators

Swiss bank account list includes Nazi criminals

By John Authers in New York

Holocaust investigators announced yesterday that they had found the names of several prominent Nazi war criminals in the list of 1,872 holders of dormant bank accounts published by the Swiss Bank Association earlier this week.

The association later responded that there was a possibility that at least six criminals named by the Los Angeles based Simon Wiesenthal Center, which has led international hunts for Nazi war criminals, were among the dormant account holders. The association has already contacted the federal authorities over the issue.

The Wiesenthal centre is also demanding that the banks start an inquiry into the assets of individual Nazi criminals and collaborators. This significantly widens the scope of inquiries, which have previously focused on victims' assets, and on reserves looted by the Nazi government.

Rabbi Marvin Hier, dean of the Wiesenthal centre, said: "Nobody wants to bring out these skeletons. They would be much more embarrassing for the banks than the accounts of the victims. But the Swiss have to take the perpetrators' accounts much more seriously than they have done so far."

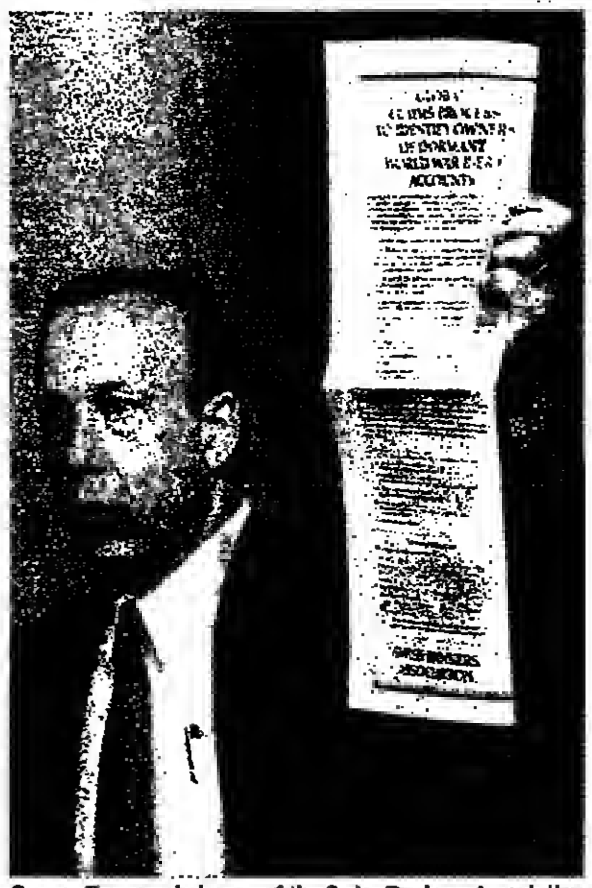
Six names on the list also appear on the list of 334 Holocaust "perpetrators" published by the centre earlier this year. These include Heinrich Hofmann, Adolf Hitler's personal photographer; Willi Bauer, an alias used by an aide to Adolf Eichmann; Vojtech Tuka, the prime minister of the Nazi puppet state of Slovakia during the war, who was executed there in 1946; Herman Esser, a former vice-president of the German parliament; Herman Schmitz, chairman of an industrial corporation with factories in concentration camps, and Karl Jager, who put Lithuanian Jews to their deaths.

The New York-based World Jewish Congress said it had also found the name of a notorious trader in looted Jewish art on the list. It said the banks should examine their holdings of art and other valuables, as well as dormant accounts, in a search for stolen goods. He added that any assets proved to belong to Nazis should be contributed towards appropriate Jewish and Holocaust memorial charities.

Swiss bankers also face the probability of public bearings by the US Senate once the congressional recess has ended in September. An aide to Mr Alfonse d'Amato, the chair of the Senate banking committee, who has led a strong campaign against the Swiss banks, said the revelation "calls into question what the Swiss banks did in 1946", when they told US officials they would look for prominent Nazis' accounts.

He said: "Every time they've gone looking over the past 50 years they've found more money and more accounts. What else is there, and how much has been shredded?"

Most Jewish organisations welcomed the decision to publish the list, however, saying it was a move in the right direction. According to Mr Elan Steinberg, executive director of the World Jewish Congress: "I think it's fair to say we've turned a corner. If we continue along this road, this impediment to Swiss-Jewish relations will be removed."



George Krayer, chairman of the Swiss Bankers Association, holds up the list of dormant bank accounts Reuter

Kremlin stakes claim in oil company battle

By Chrystia Freeland in Moscow

The battle for Rosneft, Russia's largest remaining wholly state-owned oil company, intensified yesterday when government officials said the Kremlin would seek to retain a controlling stake in the coveted enterprise.

This contradicted reports earlier in the week that up to 90 per cent of the company would be privatised this year, a possibility which has delighted the powerful Russian financial groups that are already locked in a covert struggle for Rosneft.

"The position of the state is that a controlling stake should remain with the government," an official at the ministry of fuel and energy said.

Mr Alexander Putilov, the embattled chairman of Rosneft, seemed to confirm the ministry's position, saying that the government was not willing to surrender a controlling stake in the company. Mr Boris Nemtsov, the first deputy prime minister charged with overseeing the energy sector, is also believed to be in favour of retaining a significant state share in Rosneft.

The comments fly in the face of an announcement by Rosneft officials earlier this week, who said a government decree had been prepared authorising the sale of up to 90 per cent of the oil company this year. The contradictions are a mark of the political and financial passions aroused by plans to at least partially privatise Rosneft, which accounts for some 5 per cent of Russia's crude oil production.

The struggle for the company has already led to a purge of many of Rosneft's top executives, victims of the jousting between leading Russian financial groups seeking to acquire the company.

One of the top contenders for Rosneft is believed to be Mr Boris Berezovsky, a Russian financier and politician who controls the oil company Sibneft, among other holdings. His leading rival is thought to be Mr Vladimir Potanin, head of the Oneximbank business group, which runs Sidanco, another leading Russian oil company. On the personnel front, Mr Berezovsky appears to have the upper hand. Mr Yuri Bespalov, a former government minister who was appointed as Rosneft president this spring, is believed to be allied with Mr Berezovsky. Analysts in Moscow said a recent exodus of senior Rosneft officials appeared to be part of Mr Berezovsky's efforts to install more of his loyalists in the company.

But Mr Potanin's position has been strengthened by a legal fight between Sidanco, the oil company his group controls, and Rosneft. Sidanco is laying claim to Purneftegaz, a well-managed oil-producer in western Siberia which accounts for two-thirds of Rosneft's production.

In addition to Purneftegaz, Rosneft is prized for its status as the state's representative in production-sharing deals and its stake in vast oil ventures in the Russian far east and the Caspian.

"It's a very sexy asset, it's Russia's last diamond in the rough. That is why the fight over Rosneft is being waged so aggressively," a New York trader said.

Another western analyst pointed out that Rosneft could be worth less than the sum of its parts. "If they lose Purneftegaz, I really have doubts about the future of Rosneft as an independent oil company," said Mr Stephen O'Sullivan, oil analyst at MC Securities. "There's a lot of uncertainty over Rosneft's future and that may make it quite hard to sell."

Germans use military might to stem flood

By Ralph Atkins in Bonn

Germany yesterday expanded the military force defending flood-hit regions in the east of the country into the largest domestic contingency operation for more than 30 years.

As the threat of devastating floods from the rivers Oder and Neisse remained acute, some 8,300 troops were reinforcing river defences.

The army also helped in the operation to evacuate thousands of local residents and provided protection against the threat of looting for the homes of those who have fled.

Special fax and telephone facilities were set up by the military in case of the loss of existing communication networks. Further troops were on standby if needed.

With the floods providing a post-unification test of solidarity between the west and east of the country, Mr Volker Rühe, the defence minister, declared the crisis a challenge for "all Germany".

The military deployment was the biggest since the Hamburg floods of 1962 which killed more than 200 people and left 70,000 homeless, be added.

Some 40 transport helicopters and more than 1m sandbags have been deployed, as well as – according to Mr Manfred Kanther, the interior minister – "a mosaic" of soldiers, border guards, technical helpers and volunteers.

Mr Kanther and Mr Rühe visited the region yesterday, following a visit by Chancellor Helmut Kohl on Tuesday. The biggest casualties so far have been farmers, threatened with damage that could cost billions of D-Marks.

Wednesday's breach of a dyke holding back the River Oder at Brieskow-Finkenheerd, a few kilometres south of Frankfurt an der Oder, led to widespread flooding of pastures and an operation to rescue tens of thousands of cattle.

But although water levels abated slightly around Frankfurt yesterday, authorities fear further rises as rainwater drains from worse bit regions in Poland and the Czech Republic. River defences were particularly vulnerable in the more northern Oderbruch region, a low-lying area reclaimed in the 18th century.

Earlier this week, the Bonn cabinet promised DM20m ($11m) of immediate emergency assistance and announced that the Kreditanstalt fur Wiederaufbau, the publicly-owned development bank, would provide DM200m in credit at half market interest rates to cover damages.

When the boat came in: a woman barricades her house against the flood in Eisenhüttenstadt, Germany Reuter

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Poles assess economic damage

OECD says fiscal discipline needed to keep head above water

By Anatol Lieven in London

The Organisation for Economic Co-operation and Development warned yesterday that Poland's catastrophic floods had made it even more important for the authorities to maintain fiscal discipline.

Experts say that the floods, the greatest natural disaster to hit Poland this century, have inflicted more than $1bn in damage to the economy.

According to the Polish government, more than 500 towns and villages yesterday remained under water – 55 people are known to have drowned.

Mr Val Koromzay, deputy head of the OECD's economic department, told a news conference in Warsaw that the floods would probably "go in the direction of widening the current account deficit, possibly slowing GDP growth".

Pointing out that Poland already has an imbalance between domestic demand and production, he said: "We recommend fiscal tightening in an appropriate way to take some pressure from domestic demand."

Other western analysts have warned that the floods, on top of a growing current account deficit, could push Poland into the same difficulties which beset the Czech Republic earlier this year.

Polish opposition representatives have suggested that the threat of an economic downturn and spending cuts later in the year account for the governing coalition's determination to hold parliamentary elections as scheduled on September 21, despite the disruption caused by the floods.

The main opposition parties on Wednesday called for a state of emergency to be declared so that the elections could be postponed until November. President Aleksander Kwasniewski refused, saying that there would be time to clean up the affected areas sufficiently for the polls to be held.

The prime minister, Mr Wlodzimierz Cimoszewicz, of the ruling Democratic Left Alliance (SLD), argued that holding the elections on time "would be a sign that Poland is a stable country, which even in the face of serious difficulties, respects democratic rules".

The SLD, the former Communists, have benefited politically from strong economic growth over the past year. The Market Economic Research Institute said yesterday that GDP grew by 8.2 per cent in the second quarter, and should grow by 6.1 per cent in the third, despite the floods.

Dr Miroslaw Gronicki, chief analyst at the Institute, warned that "the economy is definitely overheating" and called for a special flood tax to pay for reconstruction without putting more pressure on the budget.

No significant public opinion polls have been held since the floods struck, so their possible consequences for the elections are not yet clear. The last polls, held by the private Demoskop institute in June, showed the SLD and the main opposition grouping, the Solidarity Election Action alliance (AWS), neck and neck at 21 per cent each.

Call for labelling of gene-modified food

By Neil Buckley in Brussels

The European Commission is set to call for all seeds, animal feeds and consumer foods to carry labels stating whether they do, do not, or "may" contain genetically modified materials.

The plans are an attempt to defuse mounting consumer concern over food safety and technology after the crisis over "mad-cow" disease and disputes over products such as Novartis's gene-modified maize. The maize was banned by Austria, Italy and Luxembourg because of safety concerns, despite being approved by the European Commission for EU sale.

The 20 commissioners agreed this week to adopt a new umbrella approach to labelling, spanning the food chain.

They will propose legislation in the autumn to replace the current piecemeal approach, whereby only genetically modified seeds and animal feeds, and certain consumer products, require labelling.

"We want to give consumers information they can use, so that they can make a real choice when they go to the supermarket," said one official.

Industry, retailers and farmers are following the proposals carefully, anxious that the need to inform consumers should be balanced with the need to avoid extra cost burdens for business.

But the plans now seem less likely to trigger a trade dispute with the US, since officials said they would not necessarily require gene-modified foods to be segregated from non-modified foods right from the planting stage. US farmers had signalled stiff opposition to such a move.

Brussels wants "seeds, feeds and foods" labelled in one of three categories, according to whether they do or do not contain gene-modified organisms, or "may" contain them.

Mr Franz Fischler, farm commissioner, has already put forward proposals for labelling seeds, and they are under discussion by EU ministers. He will follow these in the autumn with proposals on animal feeds.

Mr Martin Bangemann, responsible for consumer product labelling, will examine whether new legislation is necessary, or whether the recently adopted "novel foods" directive, requiring certain types of products to be labelled, can be revised.

On top of these "sectoral" pieces of legislation, Brussels may propose a "horizontal" framework law establishing general rules for the whole food chain.

Consumer groups welcomed the proposals, but warned that the "may contain" category could be abused as a catch-all solution. Brussels officials made clear this category was only intended for genuine "grey areas", where information was not available.

EUROPEAN NEWS DIGEST

Jospin recruits 'wise people'

Mr Lionel Jospin, the French prime minister, yesterday set up a Council of Economic Analysis, the country's first economic think-tank with a mission to advise the government.

The 32-member council resembles similar institutions in other countries, notably the US Council of Economic Advisers and Germany's five "wise men". It will be consulted on important macroeconomic decisions facing the country, but is unlikely to have any decision-making powers.

Its members, ranging from academics to bank economists, will represent a wide array of political beliefs and economic specialties. They will include Mr Patrick Artus from the state-controlled financial institution Caisse des Dépôts et Consignations, Mr Jean-Michel Charpin from the private bank BNP, Mr Philippe Herzog, a Communist, Mr Jean Hervé Lorenzi, economist for the environmentalist Greens party, Mrs Michèle Debonneuil from the Organisation for Economic Co-operation and Development, and Mr Christian de Boissieu from the Paris Chamber of Commerce and Industry.

Membership will also include foreign economists, such as Professor Tony Atkinson from Oxford University, and Mr Olivier Blanchard from the Massachusetts Institute of Technology. *Samer Iskandar, Paris*

■ FRENCH AEROSPACE

Aerospatiale sale grounded

The French government yesterday gave the clearest indication yet thet it does not plan to privatise Aerospatiale, the aircraft, space and defence group. Mr Alain Richard, defence minister, told Le Monde newspaper that he hoped to convince Dassault, another aircraft maker, that its planned merger with Aerospatiale could go ahead "while maintaining Aerospatiale in the public sector".

Mr Lionel Jospin, the prime minister, said last month that he favoured a merger of the two groups, but did not stipulate whether the combined entity would be in the public or private sector. Mr Serge Dassault, chairman of the military aircraft company, has repeatedly made clear that he will merge his company with Aerospatiale only if the combined group is privatised. *David Owen, Paris*

■ WEAPONS ACCORD

More arms cuts in Europe

Thirty nations, including Russia and the US, have agreed to reduce conventional weapons across Europe and to build a framework that will set weapons limits for any new members of Nato. The agreement, reached late on Wednesday at talks in Vienna, will take at least another year to work out in detail, according to one diplomat.

The number of tanks, artillery pieces, combat aircraft and other non-nuclear weapons will be lowered across the continent, following already vast reductions – more than 50,000 weapons destroyed – made in the past five years.

A copy of the agreement shows, for instance, that the US is prepared to cut the number of its battle tanks to 1,812 – that is, by 55 per cent from current ceilings set by the Conventional Forces in Europe treaty.

Russia has also committed itself to reducing the number of weapons it is allowed to hold to at least the levels now deployed. All major parties to the treaty already have far fewer weapons deployed than they are permitted under the treaty ceilings, the diplomat said. *AP, Vienna*

■ TURKISH REPORTER'S MURDER

Police suspects boycott trial

Forty-eight Turkish police officers suspected of involvement in the murder of a reporter while in police custody defied a direct order yesterday from Mr Mesut Yilmaz, the prime minister, to appear at the court hearing their case. Mr Yilmaz, who promised to crack down on human rights violations when he took power last month, publicly instructed his interior minister to "phone the chief of national police and tell him to bring those men to court, wherever they are".

However, none of the officers appeared in the courtroom in the small town of Afyon, and the judges adjourned the trial to August. The defendants have boycotted the trial and have successfully invoked security concerns to move the venue twice.

They are accused of complicity or participation in the death 18 months ago of Metin Göktepe, a young reporter for a leftwing Istanbul newspaper. The Göktepe affair has become one of Turkey's most celebrated human rights cases. *John Barham, Ankara*

■ GERMAN ECONOMY

Inflation edges up in west

Western Germany's annual inflation rate rose in July to 1.8 per cent, according to provisional figures published yesterday by the federal statistics office. The increase compared with 1.7 per cent in the year to June.

The latest figures are based on results from four federal states. Updated pan-Germany figures will be published in mid-August. Between June and July the consumer price index rose by 0.5 per cent. Among the biggest upward influences were higher prescription charges and car taxes. *Ralph Atkins, Bonn*

■ WARSAW STOCK EXCHANGE

Serious fraud alleged

Suspicions of price manipulation on the Warsaw stock exchange voiced by the Securities Commission (KPW) are the most serious since Poland resumed bourse trade in 1991, a spokeswoman said yesterday. On Tuesday the KPW told the public prosecutor that a group of investors might have illegally manipulated prices, a crime punishable by three years in prison and a fine of up to 5m zlotys ($1.4m).

Officials at the bourse, KPW and prosecutor's office have given no details about the case. However, the weekly magazine Wprost has reported that a group of 20 investors from the western city of Poznan made more than 50m zlotys over two years speculating on three companies on the parallel market. *Reuter, Warsaw*

■ BASQUE POLITICS

Eta party's march approved

The government of Spain's Basque region gave permission yesterday for the political party which backs the separatist group Eta to stage a demonstration on Sunday despite concerns that it could provoke violence.

Herri Batasuna's planned march last Saturday was prohibited to avert a backlash from people angered by Eta's killing of a young Basque town councillor earlier this month. However, the Basque government's interior department has now decided to allow a demonstration to go ahead in San Sebastian.

Eta's murder of Mr Miguel Angel Blanco prompted huge protests across Spain last week, with an estimated 6m people taking to the streets. *Reuter, Bilbao*

NEWS: EUROPE

President Slobodan Milosevic (left) may have moved his power base but administration is still in great need of money *Reuter*

Workers to gain free stakes in 5,000 businesses before shares are sold for cash

Serbia plans privatisations

By Matej Vipotnik in London

The Serbian parliament has voted to adopt a privatisation law which could lead to the partial transfer of ownership of 5,000 small and medium-sized businesses. The initiative suggests that Serbia, one of the two republics which form rump Yugoslavia, is cautiously moving on tha path of market reforms, the last country in eastern Europe to do so.

The first stage of the privatisation is scheduled to begin on Octoher 31 after Serbian parliamentary elections. The current and retired employees of small and medium-sized industries will be granted priority in subscribing to a free minority stock offering in their company, up to a value of DM400 ($220) for each year of service. The government is understood to be intending to retain majority ownership in all enterprises.

In tha aecond ronnd, which begins within 120 days of the conclusion of the first, shares in companies up for privatisation will be on sale to employees at a discount of 20 per cent, with an additional discount of 1 per cent for each year of service. Privatisation has to be approved by the management board of the companies which will be privatised.

The opposition has criticised the government for making the privatisation voluntary. Mr Miroljuh Labus, professor of economics at Belgrade University and a former senior figure in Zajedno, the coalition of opposition parties, said that the confusing Ownership Transformation Bill which passed on Monday was nothing more than "an effort to improve the image of the government abroad".

The government has also come in for criticism for deciding to avoid privatisation hy voucher and offering stocks for cash, a method with no precedent in eastern Europe.

The privatisation procedures bave been criticised for being murky. While government ministries are supposed to prepare a list of enterprises for privatisation, the list will not be published until October 31.

Half of the proceeds of the privatisation will be placed in a development fund. A quarter of the remainder will be paid into a pension and disahility fund, and the remaining money will go to an unemployment fund. No proceeds will be allocated toward the restructuring of the partially privatised enterprises.

There is widespread scepticism among foreign observers about the goals of the privatlaation, which is viewed as a government attempt to generate some much needed cash – hut little more. Some DM500m of the proceeds from the sale of a 49 per cent stake in Serb Telekom last month have already been extended in credit to varfous ailing state industries.

Spanish battle over digital TV intensifies

By Tom Burns in Madrid

The battle for control of Spain's digital television market has intensified after the purchase by Telefónica. the privatised telecoms operator, of a big stake in a TV company that helped launch a rival digital network.

Telefónica has bought a 25 per cent stake in Antena 3, which helped launch Canal Plus Digital, a network managed hy Grupo Prisa, Spain's biggest media group.

Prisa claimed yesterday that Telefónica's acquisition had heen inspired by the government, and it branded the move as blatant "political intervention".

Telefónica, which says the purchase forms part of its digital TV strategy, paid Mr Antonio Asensio, a Barcelona-based media haron, Pta40bn ($265m) for his stake in Antena 3 and for his 51 per cent stake in Gestora Audiovisual de Medios, which has the rights to broadcast large number of domestic football matches and which formed part of Prisa's televisioo venture.

Mr Asensio's agreement witb Telefónica turns the tables once again on a long drawn-out domestic war prompted by the onset of what could be a lucrative pay-TV business. Having originally backed Via Digital, the service favoured by the governmeot, he switched sides at the end of last year to join Prisa's Canal Plus Digital venture.

Earlier this year he caused a political storm hy claiming the government had threatened him wben he abandoned Vla Digital. The football transmission rights that he controls are vlewed as vital lo the start up of satellite services.

Prisa, which hroadly supports the opposition Socialist party, claims that it has been the object of continual harassment by the government.

The European Commission has upheld tbe media group's complaint that legislation introduced hy the government runs contrary to EU directives

Earlier this week El Pais , Prisa'a flagship newspaper, reported that a sophisticated hugging device had been discovered in the offices of Mr Jesús de Polanco, the group's chairman.

Telefónica became a principal shareholder in Via Digital last year when it was controlled hy the government before lts privatisation. This satellite service, which is also backed hy the state-controlled and heavily subsidised natiooal TV broadcaster, plans to start up after the summer.

The likelihood is Telefónica will now broker a joint venture between Canal Plus Digital and Vla Digital through its presence in the equity of both companles.

Gazprom hard line brings results

By Charles Clover in Moscow

The crude but effective strategy of cutting off gas supplies to non-paying huyers in Belarus and Ukraine has worked for Gazprom, Russia's gas monopoly. Both countries agreed within days to cough up nearly $500m in overdue hills.

Gazprom said yesterday that supplies to Ukraine had returned to normal after a brief reduction of as much as a third in a two-day squabble over non-payment. Two days ago, supplies to Belarus, which had also been interrupted, were resumed after a similar agreement.

The Russian gas giant, forced by the Moscow government last month to pay $3hn in tax arrears, has been looking to settle up with its own non-paying customers.

Its chairman, Mr Rem Vyakhirev, met President Leonid Kuchma of Ukraine on Wednesday as the Kiev government acted as a go-between in negotiations between Gazprom and two Ukrainiao trading companies, Intergas and United Energy Systems, which buy about 40 per cent of the couotry's natural gas requirements. They each owe Gazprom about $150m.

Both Ukraine and Belarus are well acquainted with Gazprom's strong-arm tactics. As soon as supplles were cut, botb immediately agreed to begin paying up. Belarus must liquidate its debt of more than $100m by December, according to a Gazprom spokesman. Details of Ukraine's schedule for paylog more thao $300m were unavailable.

According to one analyst, Ukraine's chronic payments arrears to Gazprom all but disappeared after tbe marketing of Gazprom's gas in Ukraine was taken over by private trading companies. The arrears began to recur when the marketing compaoies themselves began to have trouble collecting from their customers.

Senior staff at Danish bank found guilty of fraud

By Charles Ferro in Copenhagen

The former managing director of the Gibraltar subsidiary of Denmark's Jyske Bank has been fonnd guilty with three others of defranding the bank of £56m ($93m).

Mr Jan-Henning Spjeldnaes, Mr Michael Metcalfe, Mr Rolf Jacobsen and Mr Wolfgang Herbert Heinl were ordered following a trial in London to repay £46m. The bank has already recouped the rest of the money.

Two other defendants, Mr Pablo Zoltan-Frank and Mr Metcalfe's wife, Mrs Julie Gonld, were acquitted owing to insufficient evidence. However, the bank will receive the value of a property owned by Mrs Gould. In addition, Jyske Bank will appeal against the part of the decision concerning Mr Zoltan-Frank.

Jyske Bank, Denmark's fourth largest, acqnired the family-owned Gallianos Bank in 1987, and Mr Spjeldnaes took the top seat in the new Jyske Bank (Gibraltar). A year later, he began systematically embezzling money through lending schemes with Mr Metcalfe and Mr Jacobsen, according to Mr Peter Stig Hansen, head of Jyske Bank's legal department.

Mr Heinl, who operated from Ireland, came into the picture later to help launder the money, Mr Hansen said. The cash was placed primarily in Spain, hut also in England, and it is believed that some smaller amounts went to other places including Norway, Ireland and Africa.

The transactions involved transfers of casb and the issuance of bearers' cheques, as well as some property deals. Irregularities came to the surface in 1990 when Jyske Bank discovered that Mr Spjeidnaes was lending amounts far above his limits.

He resigned in 1992 and in August of that year Jyske Bank filed a suit against him and his associates. The trial began in London last year.

Mr Hansen said that Jyske Bank had asked anthorities in Spain to place an embargo on assets being discovered in order to secure them. At this stage the bank had estimated tbat there was DKr180m-DKr200m ($26m-$29m) in assets not invested in land that could be traced and possibly recouped. A 4m sqnare metre tract of laod lo Spaio owned hy the gronp would be sold, and the proceeds handed over to Jyske Bank. Tbe bank said that it believed the court decision had secured DKr60-DKr90m.

Mr Spjeldnaes may now face criminal charges.

NEWS: THE AMERICAS

Anti-smoking lobby woos Clinton

By Bruce Clark in Washington

Health campaigners and scientists are lobbying to convince US President Bill Clinton that the terms of the tobacco settlement are not tough enough to deliver the promised rednction in cancer deaths and childhood smoking.

However, the continuing power of the pro-tobacco camp in the US legislature has been highlighted by a Senate vote to retain subsidies for tobacco farmers – and the reluctance of the House of Representatives to increase cigarette taxes.

The American Lung Association (ALA), a lobby group whose legal action forced the administration to accelerate the introduction of controversial air pollution standards, said yesterday that curbs on advertising were not sufficient to prevent tobacco companies from appealing to children. The curbs are part of a settlement under which the tobacco industry will restrict sales practices and pay out $368bn over 25 years in return for some curbs on liability.

In a detailed analysis of some recently published cigarette advertisements, the association said it was possible to appeal directly to teenagers while conforming to restrictions on the use of colour and the depiction of human beings or cartoon characters.

Ms Penelope Queen, a marketing expert who works for the ALA, described a newly pnblished advertisement for Camel Lights as very attractive to youngsters. "The symbols used – a motorcycle, the wings of an eagle, a camel and the colour black – create powerful visual images that appeal directly to adolescents," said Ms Queen, a former strategic developmeot director at the advertising company Saatchi and Saatchi.

The administration received another sceptical message about the settlement from a group of scientists consulted oo Wednesday by a White House task force which is considering the deal.

The authority granted to the Food and Drug Administration to regulate the use of nicotine and other noxious snhstances in cigarettes might have unintended results, the scientists said. Professor Saul Shiffman of Pittsburgh University said if the FDA insisted on redncing the nicotine content in cigarettes, that could induce people to smoke more and expose themselves to even greater health risks.

The ALA's concerns about the loopholes in advertising restrictions are shared by veteran anti-tobacco campaigners on Capitol Hill. But the Senate voted 53-47 against an amendment to stop crop insurance for tobacco growers, and 52-48 against moves to appropriate extra money to combat teenage smoking.

Colombia growth doubts surface

By Sarita Kendall in Bogotá

A significant gap has opened up between government and private sector growth forecasts for the Colombian economy, reflecting disagreement on how soon recovery will take hold and wbether it will last.

There are signs that tbe construction sector is at last beginning to pick np, bnt indnstry apparently performed badly in the first half and business surveys continne to show high stocks and low demand.

Mr Jose Antonio Ocampo, finance minister, has shifted Colombia's 1997 growth forecast down to about 3.5 per ceot, bnt two leading economic institutions, Fedesarrollo and Anif, argue the government is still too optimistic and tbe real figure may be nearer 2.3 per cent.

"Investors have realised the public finance situation is unsustainable," Mr Mauricio Cardenas, director of Fedesarrollo, said at a seminar on Colombia's economic prospects.

Mr Cardenas warned the country could be heading for a Mexican-style crisis in the next two years if corrective measures were not taken. He qooted figures potting tbe consnlidated budget deficit in July at 3.8 per cent of gross domestic product.

Mr Ocampo insisted the budget deficit was manageahle and that gradual adjustments would bring it down. The minister's economic growth projection of between 4.5 per cent and 5 per cent for 1998 is at least one point higher than Anif and Fedesarrollo estimates.

The Colombian private sector is especially concerned abont the medinm and long-term growth ontlook.

Mr Sebastian Edwards, fnrmerly responsible for Latin America at the World Bank, argued that liberalisation had stalled and the country was in danger of being left behind.

AMERICAS NEWS DIGEST

Cunanan found dead in Miami

The discovery of the body of Mr Andrew Cunanan, the alleged serial killer, in a Miami Beach houseboat has ended a nationwide manhunt set off by the murder on July 15 of Mr Gianni Versace, the Italian fashion designer

Mr Cunanan is believed to have sbot himself, using the same weapon that killed Mr Versace and at least one of four other victims of a cross-country murder spree.

His body was found late on Wednesday after a lengthy stand-off with police and Federal Bureau of Investigatioo agents at the houseboat, about two miles from the Versace murder scene.

The houseboat is owned by a German businessman who is the proprietor of a Las Vegas health spa catering for homosexuals. The owner, said to be on holiday, had hired a caretaker, who summooed police after bearing a gunshot and seeing a man in the residence.

The Miami Beach neighbourhood where Mr Versace had a house is the centre of a large and open homosexual community. Mr Cunanan, 27, was described by his own mother as a male prostitute. Mr Versace was also homosexual, and in the immediate aftermath of the killing, there was speculation the two might bave met, but no link betweeo the two or motive for the murder has been established. *Henry Hamman, Miami*

■ GLOBAL WARMING

Clinton seeks a strategy

US President Bill Clinton met scientists yesterday to discuss the effects of global warming as part of the administration's effort to convince voters that action has to be taken to curb greenhouse gas emissions.

At a United Nations environmental conference last month he asked for six months to develop his environmental strategy. Next month, he is scheduled to meet environmentalists in Rhode Island, and in the autumn the White House will host a conference on ways to boost the economy while reducing emissions.In December, more than 160 nations will meet in Kyoto to sign a treaty to attack global warming with binding targets and timetables. The US, with only 4 per cent of the world's population, emits 20 per cent of the world's greenhouse gases. *Heather Bourbeau, Washington*

■ US PARTS STRIKE

GM stops assembly line

General Motors said yesterday that It had sent home 2,700 workers and halted an assembly line in Flint, Michigan, because of the latest in a series of strikes at car parts plants that have bedevilled its north American operations this year. The moves are the first sign of the far broader problems that could follow if the strike drags on.

The latest dispute started oo Tuesday at an assembly plant in Warren, Michigan, that supplies transmissions to virtually all of GM's north American plants. Just as in a strike at two brake plants in Dayton, Ohio, early last year, the sbortage of parts could quickly bring the company's assembly lines to a halt.

GM faces accusations of breaking plant-level agreements by reducing employment numbers to levels where its remaining workers have beeo left overburdened. GM has indicated it is prepared to face extensive stoppages to win the sort of cuts in headcount it believes it needs to compete on an equal footing with Ford and Chryeler. *Richard Woters, New York*

Chinese funds 'plot' thickens

By Bruce Clark in Washington

If China did hatch a plot to buy influence in US elections – as the Federal Bureau of Investigation, and an increasing number of US politicians think – it seems to have been knocking on a half-open door.

The latest hearings of a Senate probe into campaign finance abuses have highlighted the eagerness with which Republicans and Democrats alike pursued donations from wealthy ethnic Chinese entrepreneurs – without asking too many questions about their links with Beijing.

The panel has gathered fresh details of a $2.1m loan guarantee supplied by Mr Ambrous Young, a Hong Kong husinessman, to a Republican "think-tank" – and promptly transferred to the party's electoral war chest.

Mr Haley Barhour, the Republican National Committee chairman who obtained the contribution, was warned by advisers that in return, he might be expected to lobby for Mr Young's business interests in China, according to documents obtained by the Associated Press.

Meanwhile, Sen Joseph Lieberman, one of the panel's leading Democrats, has explained how his belief in a concerted Chinese effort to buy influence had strengthened. He had been given a "series of classified documents" containing evidence of a "Chinese government decision to carry out . . . a legal lobbying campaign".

The following day, after Senator Fred Thomson, the Republican committee chairman, spoke in darker terms of a Chinese plot, Senator Lieberman obtained an FBI briefing which contained enough evidence to convince a "reasonable person" "there was a Chinese plot or plan to influence the 1996 Congressional elections, including sending money to congressional candidates".

But there was not enough evidence Beijing plotted to influence tha presidantial race, or even that it carried out its plan to sway the Congressional race.

The prospect of further startling revelations has been enhanced by the panel'a decision to override the Justice Department's advice and grant immunity to five witnesses in exchange for testimony. They include four Buddhist nuns, now expected to testify about a 1996 fundraising event at their temple attended by vice-president Al Gore and arranged by the controversial businessman-lobbyist Mr John Huang.

Top jobs marks to vibrant US 'Sun Belt'

By Gerard Baker in Washington

Where the work is... ...and isn't

Annual % change in employment growth (1997-2002)

Top 10	Bottom 10
1 Las Vegas, NV	105 New York, NY
2 Raleigh-Durham-Chapel-Hill, NC	106 Passaic, NJ
3 Austin, TX	107 Cleveland, OH
4 Riverside-San Bernadino, CA	108 Toledo, OH
5 Boise, ID	109 Newark, NJ
6 Orlando, FL	110 Scranton, PA
7 Phoenix, AZ	111 Springfield, [illegible]
8 West Palm Beach-Boca Raton, FL	112 Youngstown, OH
9 Sacramento, CA	113 Buffalo, NY
10 Atlanta, GA	114 Jersey City, NJ

Source: DRI/McGraw-Hill

The "Sun Belt" of tha southern and western US will continue to be the main source of jobs growth for the next five years, according to an influential economic forecasting group.

Nineteen of the 20 fastest growing regional metropolitan areas are in western or aouthern states, with Las Vegas, Nevada, topping the list, says DRI/McGraw Hill, the Massachusetts-based private sector group.

The report highlights the continuing geographical trend of the last 30 years of a shift in relative employment levels from the Rust Belt of the north-east and Midwest to the Sun Belt.

But it also emphasised the strong US employment growth is a nationwide phenomenon. The superior performance of the west and south is a relative, not an absolute one and all 114 major metropolitan areas surveyed are expected to experience some job growth in the next five years.

Other rapidly growing cities are Raleigh-Durham, North Carolina, and Austin, Texas. Of the leading locations for employment growth only Omaha, Nebraska is north of the Mason-Dixon line and east of the Rockies. The fastest growing areas are expected to maintain recent trends of joh gains. In Las Vegas, the labour force is projected to grow at an annual rate of 3.7 per cent for the next five years.

"A steady influx of new residents, clusters of rapidly growing high technology industries, expanding export markets and competltive business costs are the primary reasons these particular regions will experience the strongest percentage gains," said Ms Sara Johnson, chief regional economist for DRI/McGraw Hill.

At the bottom of the list, the weakest growth is expected to be concentrated in three states – industrial New York, New Jersey and Ohio. Jersey City, across the Hudson river from New York, is the metropolitan area forecast to experience tha weakest growth in the US, at 0.2 per cent a year until 2002.

● The number of Americans claiming first-time jobless benefits dropped last week to the lowest level in nearly a year, in the latest sign of a strong jobs market, Reuter reports from Washington. Weekly johlesa claims fell to 299,000 in the week to July 19 from a ravised 341,000 the week before. That was far below the 333,000 level economists had forecast. Tha drop pushed weekly claims to their lowest level since the week to July 27 1996, when they were 297,000.

The four-week moving average, which helps to smooth out week-to-week swings in the data, also fell. The average of claims stood at 340,750 last week, down from 349,000 the week before. Ths number continuing to claim benefits rose slightly to 2.3m in the week ended July 12, the latest for which data were available.

NEWS: INTERNATIONAL

UN issues ultimatum to Angola's rebels

By Barnaby Phillips in Luanda

The United Nations Security Council bas threatened Angola's armed Unita movement with sanctions unless it complies with the terms of the 1994 Lusaka Peace Accords, which ended the 19-year civil war between Unita and the MPLA government.

The Security Council warned that economic and travel restrictions would be imposed on Unita if the movement did not take "irreversible and concrete steps to immediately fulfil its obligations".

A spokesman for the UN Observer Mission to Angola (MONUA) said the UN was exasperated by Unita's failure to say how many armed men it still retained, and refusal to relinquisb control of its territory. A UN official said: "Unita have told us this week that they still have an army of about 3,000 men, but frankly, our intelligence tells us that they have many more than that."

The UN's increaaingly public exasperation with Unita comes at a time when some members of the Angolan government are openly calling for a return to hostilities. Angola's President Jose Eduardo dos Santos warned that the country was "in a situation when an armed conflict is imminent". However he appeared reluctant to bow to international pressure to hold another face-to-face meeting with the Unita leader, Mr Jonas Savimbi.

Diplomats in the capital Luanda said they doubted whether sanctions would have more than a psychological impact on Mr Savimbi, who refuses to leave his headquarters in Angola's central highlands. "There has been an arms and fuel embargo on Unita since 1993, but even the UN now admits that this is being flouted with impunity," said one diplomat.

He noted that Unita's control of Angola's enormous diamond resources would soften the impact of any economic sanctions. "Diamonds are the easiest commodity in the world to smuggle," he said, "and although Unita has run out of friendly governments, there will always be individuals who will do business with them." Analysts estimate that Unita earned $500m from its diamond sales in 1996.

The Security Council will probably wait until August 15 before deciding whether to impose sanctions. On that date the UN's special representative to Angola, Alioune Blondin Beye, is due to report on the situation in the country.

A UN spokesman in Luanda said: "The ball is now in Unita's court; they know what they have to do, and when they have to do it by."

Zimbabwe's budget spurns IMF advice

By Tony Hawkins in Harare

Zimbabwe's finance minister, Mr Herbert Murerwa, yesterday presented a largely standstill bndget, spurning IMF advice to raise consumption taxes and curb public spending. He also imposed a tax on pensions.

The main surprise was the substantially lower budget deficit for 1996-97 of 7.1 per cent (before grants and privatisation incoma) rather than the 10 per cent that Mr Murerwa himself had forecast only a fortnight ago. This was the result of revenue inflows which were almost 15 per cent higher than forecast a year ago at Z$26.7bn (US$2.35bn), while spending at Z$32.4bn was less than 4 per cent above estimate – far lower than anticipated given last year's large post-bndget civil service wage award. Revenue was Z$2.5bn or 10 per cent higher than Mr Murerwa estimated in May.

While this will have pleased donors who are being asked to support Zimbabwe's still-to-be-finalised second economic reform programme, the fact that Mr Murerwa has budgeted for a still larger deficit of 8.9 per cent of GDP in the 18-month period to December 1998 (the fiscal year is being aligned with the calendar year), will be seen as a retrograde step.

The most plausible interpretation is that a mini-bodget – or new taxes – will be imposed in the first half of 1998, after renewed negotiations with the IMF. The only significant tax changea announced were a 2.5 per cent reduction in the rate of corporate tax to 35 per cent but this will only take effect in January 1999, and the decision to tax savings further.

Mr Murerwa announced a 15 per cent tax on the profits of pension funds and 15 per cent tax on interest paid on government treasury bills.

Government spending (annualised) will increase 31.5 per cent in 1997-98 (38 per cent of GDP), while revenue increases 27 per cent.

Mr Murerwa predicted a slowdown in economic growth to around 4.5 per cent this year from his estimate of 8 per cent in 1996, accelerating modestly to 5 per cent next year. He is optimistic about inflation, expecting it to exceed 21 per cent this year and declining to 12 per cent by the end of 1998.

The IMF had advised Mr Murerwa to raise taxes on petrol and diesel and to increase duties on tobacco and alcohol, but the minister said such tax increases would have an adverse effect on sales and inflation.

The IMF and World Bank are unlikely to be happy with a budget in which interest costs account for 22 per cent of total spending and the wage bill 39 per cent, leaving very little for capital and other essential public spending.


Aircraft at the airbase in Kulyab, Tajikistan, supplying arms to anti-Taliban forces

Defector's double cross turns tide on Taliban

By Charles Clover in Moscow

The advance of commander Ahmed Shah Masoud's soldiers to within rocket range of Kabul, the Afghan capital, has set diplomats racing back and forth across central Asia this week as momentum in the Afghan conflict shifts decisively, if momentarily, to the anti-Taliban forces of the north.

Yesterday, central Asian leaders from Kazakhstan, Uzbekistan, and Kyrgyzstan met in the Kyrgyz resort of Cholpon Ata to discuss the new situation. Six weeks ago, the regional powers had huddled to discuss an imminent victory of the Taliban, who in late May took over the entire north of Afghanistan aided by a key defection of General Abdul Malik. Mr Abdul Malik, however, then redefected and massacred 500 Taliban fighters in the streets of Mazar-i-Sharif, routing the Taliban from the north.

This week, anti-Taliban forces commanded hy Ahmed Shah Masoud, who many observers believe to be aided by Russia and Iran, took the villages of Karabag and Istalif just to the north of Kabul, which has been held since last September by the Taliban.

Pakistan has officially recognised the Taliban, and is believed by many observers to be actively supporting the movement, explaining its recent diplomatic interest.

Meanwhile, Russia and Iran continue to recognise the government of Burnhuddin Rabbani, the former president of Afghanistan who heads the Jamiat-i-Islami along with Mr Masoud, opposing the Taliban. The Jamiat is supplied from an airbase in Kulyah, Tajikistan, and most experts consider the source of the aid to be Russia.

Experts agree that Russia's aim in Afghanistan is two-fold, to protect the central Asian states of the CIS from the Taliban, and to preserve central Asia's dependence on Russia by discouraging southern transportation routes for central Asian exports, primarily oil and gas. US company Unocal and Saudi company Delta are negotiating for the right to build oil and gas pipelines from Turkmenistan to Pakistan which would cross Afghanistan.

Earlier this week, US deputy secretary of state Strobe Talbott affirmed the strategic interest of the US in the Caspian Sea region in a speech in Washington, emphasising the US commitment to avoid a new "Great Game" between Russia and the west in central Asia and the Caucasus.

Israelis strike over sell-off

By Judy Dempsey in Jerusalem

Israel's trade nnion federation yesterday staged public sector strikes to protest against the government's decision to sell a 12.5 per cent stake in Bezeq, the state telecommunications company, to Merrill Lynch, the US bankers.

The International airport, trains, ports and ntilities were shut, aven though some of Bezeq's employees had gone back to work following a court order earlier this week.

The Histradrut labour union is demanding that workers be informed about future privatisation plans, signalling to the government that it could face wider and longer strike action if any deals are done behind the union's back or indeed if privatisation hits at Israel's core state companies, such as the defence industries and Israel Electric.

Bezeq union officials claim that they were not told about the government's decision to sell for $250m a 12.5 per cent atake to Merrill Lynch. They also want the proceeds of the deal to be paid into pension and compensation funds as the company embarks on cost-cutting in preparation for telecoms liberalisation in two years' time.

The government said the strike was "unnecessary" and would not affect its plan to open up the economy to more competition.

□ UK 'reviewing' donations
□ More protests tomorrow

Kenya under pressure from aid donors

By Michela Wrong in Nairobi

Kenyan campaigners calling for constitutional reform prepared a second wave of mass action yesterday as the government cama under increasing pressure from donors and tha business community to make concessions.

Diplomats and business leaders said the authorities' handling of an unlicensed pro-reform rally due tomorrow in the port of Mombasa, a tourist hub with a tradition of political volatility, would be under close scrutiny.

A repeat of the incidents seen in Nairobi on July 7, when riot police clubbed and shot unarmed demonstrators at a similar protest and at least nine people died, would send the worst possible message to the outside world, they said.

"If the authorities do the same thing in Mombasa it would be very, very silly," said a western aid official. "You can't ignore human rights abuses and it would definitely hit donor sentiment."

A leading Kenyan businessman said: "Let the demonstrators say what they want to say, and if there is violence, let it be their fault, not the fault of the police. What we need now is a lull to allow dialogue."

Britain on Wednesday became the latest donor to spell out that aid to Kenya was now on the line, notwithstanding President Daniel arap Moi's pledge last week to amend a constitution which gave him the upper hand in forthcoming elections.

Ms Clare Short, International Development Secretary, said she was "very worried indeed" about the situation and was reviewing Britain's aid agreement with its former colony. "We cannot tolerate that sort of behaviour and continue to contribute the level of aid donations that Britain has historically given to Kenya."

A UK official said Britain would monitor the situation in Kenya until the elections took place.

The British threat, which follows similar warnings from Germany and the European Union, puts at stake only £30m in annual aid. But Kenya simultaneously faces possible suspension of its International Monetary Fund loan programme, a move which would do its international credibility enormous damage.

An IMF delegation wound up its visit to Nairobi this week and is now reporting back to the board, which will decide the fate of a three-year atructural adjustment facility. Although the fund's main complaint is rampant corruption, international anger at the repressive political climate is bound to play a role in the final decision.

Ordinary Kenyans and the donor community were momentarily relieved when Mr Moi promised to redraft a range of colonial-era laws and set up a commission to carry out big constitutional reforms after the elections.

But the suspicion has now grown that Mr Moi is simply playing for time and any substantive changes will not be introduced long enough before the polls to affect the outcome.

In a fresh sign of inflexibility, the ruling Kanu party yesterday rejected involving the umbrella body that has spearheaded the constitutional reform campaign in discussions, saying the grouping of church leaders, lawyers and human rights activists had no electoral mandate.

Mr Moi has refused to meet the National Convention Executive Council, opting instead for talks with individual opposition leaders.

The approach at one point threatened to split the pro-reform lobby apart but it ironed out its differences on Tuesday and agreed all dialogue should take place through the NCEC.

NEWS: WORLD TRADE

WTO urged to act on competition rules

By Emma Tucker in Brussels

Sir Leon Brittan, the European trade commissioner, yesterday called on the World Trade Organisation to examine co-operation on competition issues, in the wake of the row over regulatory approval of the planned Boeing-McDonnell Douglas merger which almost triggered a trade war.

"I have long believed that we need an international agreement on competition rules and smoother co-operation between national competition jurisdictions," said Sir Leon. "Otherwise there are bound to be more and more clashes when powerful competition authorities seek to deal with the same case, applying different rules."

The commissioner said that although a crisis had been narrowly avoided in the Boeing case, similar problems would continne to arise until an effective international agreement on the application of compatition rules was in place.

The EU and the US came to blows over the merger after the Commission threatened to block the deal unless Boeing made substantial changes to it. By contrast, the US Federal Trade Commission nodded through the deal with no conditions.

The Commission's tough stance angered politicians in the US, who accused Brussels of defending the interests of Airbus Industrie, the European consortium that competes against Boeing.

After a last-minute concession by Boeing, the Commission granted regulatory approval on Wednesday. But Boeing said it would have preferred a joint approach by the two regulatory authorities.

"From a company standpoint it would have been far preferable if whatever remedies were sought, were sought jointly," said Mr Richard Albrecht, the executive vice president of Boeing.

Sir Leon, with Mr Karel Van Miert, the competition commissioner, has proposed a blneprint for competition co-operation to the Council of Ministers which was fully endorsed by the member states. This led to the setting up of a working group in the WTO, about which the US was less enthusiastic than the EU.

"In the light of the Boeing case, this WTO activity needs to be given high-level attention," said Sir Leon. "We must explore all the implications of competition policy for the world trading system, so that WTO members can take a fully considered decision on how best to deal with these implications in the next major round of WTO talks."

Contest hots up for huge Yangtze power contracts

■ Six consortia vie for $2bn turbine and generator sales
■ Three Gorges winners to be announced next month

At the vast Three Gorges dam site on the Yangtze a sign counts down the 113 days to go until the river is diverted – a milestone in the construction of the world's biggest hydroelectric scheme. In Baijing 1,000km to the north officials are close to another milestone: the choice of biddars from among six international consortia to supply turbines and generators for the first stage of the $25bn project – the world's largest, and most controversial, civil engineering project.

"Wa are very close to making decisions. This is the last round of technical negotiations," said Mr Li Yongan, deputy general manager of the Three Gorges Project Corporation.

China had planned to announce the successful bidders by June, bot bid evaluation has proved more complicated than expected.

Mr Li is coy about the likely anccessful tenderers, but he indicated that although a Russian-led group was striving to stay in the race, frontrunners were tha Europeans, Japanese and North Americans.

These consortia include GEC-Alsthom and Neyrpic of France; a Japanese group led by Mitsubishi Heavy Industries; Voith and Siemens of Germany and General Electric of Canada; and ABB Power Gen of Switzerland and Kvaerner of Norway.

But so intense is the competition that tenderers hava continued to improve their bids as the selection process reaches its climax. In the past few days Mr Boris Nemtsov, Russia's first deputy prime minister, relayed a fresh offer of lower prices and more generous financing to support the hid by Energomachexport.

A sixth consortium, involving Impsa of Argentina and Turboatom of the Ukraine appears to have fallen by the wayside.

The stakes could hardly be higher for the world's suppliers of heavy duty power generation equipment. Contracts for 14 700MW power units, including turbines and generators, will be worth about $2bn, but perhaps just as important is the exposure for successful bidders.

As Mr Paul Chan, senior vice president of ABB China, says: "Success will provide a worldwide entry ticket for the next two decades to large-scale hydropower projects."

On completion in 2009 the Three Gorges dam will produce 84.7bn kWh of electricity, ona ninth of the national total. China, which regards the project as a symbol of its modernisation, shrugs off criticism from environmental and human rights groups, who oppose the resettlement of about ona million people whose homes will be inundated.

Mr Li said five criteria were being used to assess bidders: these were technology, international reputation, price, technical transfer, and financing.

Tha consortia had offered exceptionally competitive financing with export credit terms which exceeded those for other large engineering projects in China such as the Franch-bnilt Daya Bay nuclear power station.

Financing offers covered 100 per cent of the cost of equipment with repayments over 21 years. He said France had provided very good terms to support the bid by the French-led consortium.

The Three Gorges Project Corporation plans to announce the successful bidders by August, and expects detailed commercial negotiations will be completed by the end of the year, allowing the project to move forward on schedule.

Mr Li indicated China would select two or possibly three consortia to supply the 14 power units on the grounds that such a large engineering task would be beyond the capacity of even the world's biggest engineering companies.

"From our point of view it would be more desirable to have just one consortium because it would be simpler," he said. "But it would be impossible for any one company to supply more than four units a year."

Mr Li discounted "political interference" in tha final selection. "Our number ona criterion is to select the best and most efficient set of turbines and generators," he said. "We have five criteria and not a single political criterion among them."

He said China had been very frank in its discussions with Russia, which has most visibly sought to use political leverage to support its bid. He described the Russian price as "relatively high", adding that its equipment "technologically apeaking is not tbe most advanced".

Mr Li said the project, which began in 1994, was "on budget" and "on schedule." Beijing is providing half the funding, Yn100bn ($12.3bn), from the central budget, with the balance being raised through commercial bank loans, issue of corporate bonds and a stock market listing: Three Gorges dam was listed on the Shanghai bourse this month.

Plans to raise funds on international capital markets have been set aside for the time being because adequate sources of financing are available domestically, but preparations have been made for a listing in Hong Kong when the "time is ripe."

Tony Walker

Generating competition

1st stage bidders for Three Gorges dam

CONSORTIA	FINANCING
GEC – Alsthom, Neyrpic of France	Coface
Mitsubishi Heavy Industries, Hitachi, Mitsui, Itochu of Japan	Export-Import Bank of Japan
Impsa of Argentina, Turboatom of Ukraine	Not available
Voith and Siemens of Germany General Electric of Canada	Hermes EDC of Canada
LMZ (Energomachexport of Russia, Sulzer of Switzerland)	Swiss government
ABB Power Gen of Switzerland Kvaerner of Norway	Swiss government ECGD of UK

Source: Three Gorges Commission

China in new offers to WTO

By Frances Williams in Geneva

China's decade-old application to join the World Trade Organisation appears to have mada headway in intensive bilateral talks with trading partners in Geneva this week.

However, there is still no sign of the hoped-for comprehensive offer by Beijing to open China's market to industrial and farm goods from abroad. This is expected to be a focus of the planned antumn summit between US President Bill Clinton and Chinese President Jiang Zemin.

Beijing was expected to bring forward the first instalment of this offer by the end of July, ahead of the August 1 meeting of the WTO's working party drafting China's membersblp terms. China's most recent tariff offer was tabled last December when the Beijing government undertook to cut tariffs after WTO entry to an average of 15 per cent from tbe current 23 per cent.

In bilateral talks this week and next before the August 1 meeting, China's trading partners are pushing for further hig reductions in tariff and non-tariff obstacles to industrial and farm trade as the price for Chinese WTO entry next year. China is also being pressed to allow the entry of more foreign banks, insurance companies and other service suppliers.

Trade officials said yesterday that Beijing had already submitted revised offers on a nnmber of rules-based issues including a reduction in the scope of state trading companies, measures concerning statutory inspection of imports and a phase-out of certain state subsidies to industry.

Andean Pact in talks with Caricom

By Raymond Colitt in Caracas

The Andean Pact and the Caribbean Community (Caricom), today begin negotiations towards a free trade agreement.

"The first technical meeting between the two groups takes place in the context of the 1995 Miami Summit and our efforts to reach a hemispheric free trade area by the year 2005," said Mr Freddy Rojas Parra, industry and commerce minister of Venezuela, a member of the Andean Pact.

In 1993 Venezuela began reducing or liberalising its tariffs to Caricom members bnt does not enjoy similar access to Caribbean markets. Government officials see large potential to boost the limited trade between the two blocs, while many entrepreneurs remain optimistic.

Caricom's goal is to match the Andean Pact common external tariff of between 5 and 20 per cent by 1998. Caricom has also signed a trade agreement with Colombia.

According to Uruguay's president, Mr Julio Maria Sanguinotti, Venezuela is seen by members of the South American common morket, Mercosur, as a potential "bridge" to Caricom and Central America.

Relations between Venezuela and its closest Caricom neighbour, Trinidad and Tobago, were overshadowed in recent months by a fisheries dispute. Several fishing vessels have been detained by Venezuela's coastguard, which says they bove infringed its maritime sovereignty. The two countries are negotiating a two-year fishing rights treaty to replace one that expired in 1995.

The Andean Pact is made up of Venezuela, Colombia, Ecuador, Bolivia and Peru.

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Korea eases overseas borrowing curbs

By John Burton in Seoul

South Korea yesterday eased curbs on overseas corporate borrowing and injected new funds into the banking system to prevent a credit shortage and more big bankruptcies, after the near-collapse of the Kia car group.

The moves came as Moody's, the US credit rating agency, indicated it may downgrade Korea's sovereign rating as it lowered the rating outlook of four important government banks to negative.

Worries exist that the near-bankruptcy of Kia, Korea's eighth-biggest conglomerate, may trigger a chain of corporate collapses as heavily exposed domestic financial institutions grow cautious and withdraw funding to highly leveraged industrial groups.

The government said it would abolish restrictions that prevent conglomerates getting high-interest foreign loans with a rate 100 basis points above Libor. It would also allow all Korean companies to issue securities abroad instead of limiting it to those with an international credit rating of BBB or above.

The government will provide Won1,500bn ($1.7bn) to 61 commercial and merchant banks during the next two weeks to ease any capital shortages. This follows another Won1,500bn injected into the banking system last week.

Moody's said it had downgraded the outlook for the four state-owned banks to reflect a negative outlook it recently issued for Korea's sovereign rating of single-A1, the fifth-highest grade in Moody's 16-stage scale.

The banks – Korea Development Bank, the Industrial Bank of Korea, the Export-Import Bank, and the Housing & Commercial Bank – are mainly responsible for the government's overseas borrowing requirements to finance industry.

Moody's said the action was "the result of the vulnerability posed by the deteriorating financial condition of Korea's corporate and banking sectors, and the substantial rise in short-term external debt.

"The outlook for the country's rating also incorporates the accelerating deterioration of North Korea and the increased likelihood of a sudden collapse," Moody's noted.

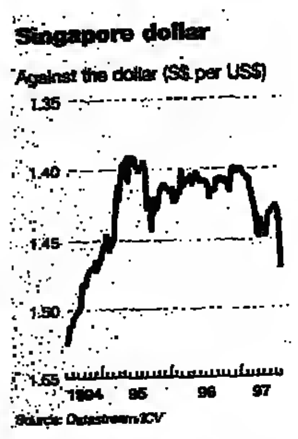
The international credit ratings of Korean commercial banks, much lower than the country's sovereign rating, could deteriorate further after some earlier downgrades following the collapse of several big conglomerates.

On Wednesday, Standard & Poor's, the US credit rating agency, put five of the six commercial banks it follows in Korea on a Credit Watch with negative implications. They included Korea First, Korea Exchange, Hanil, Shinhan and Korea Long-Term Credit.

The threat of a possible downgrade in Korea's sovereign rating comes as the government faces mounting public pressure to offer subsidised loans to Kia and other troubled conglomerates.

Currencies weaken amid fresh turmoil

By James Kynge and Ted Bardacke in Kuala Lumpur and William Barnes in Bangkok



South-east Asian currencies fell again yesterday amid signs that the past three weeks of tumbling values has hit infrastructure projects and top companies in the region. The Singapore dollar was the main casualty yesterday, falling to a 32-month low. But other regional currencies were hit, too.

Dr Mahathir Mohamad, Malaysia's prime minister, criticised "rogue speculators... wanting to destroy weak countries in their crusade for open societies, to force us to submit to the dictatorship of international manipulators". His remarks unsettled the market.

He suggested, without elaborating, that laws might be needed to protect regional currencies. But dealers and economists warned that regulation would undermine the region's free market credentials. "I don't think capital controls would prove effective in this situation and could be counter-productive," said Mr Desmond Supple, head of Asian currency research at Barclays (BZW) in Singapore.

Economists said that capital outflows, which are replacing speculation as the main cause of current currency weakness, would be little curbed by imposition of restrictions on offshore lending, such as are in place in Singapore.

The reason why corporations in Thailand, Malaysia, Indonesia and the Philippines are selling local currencies to buy US dollars is partly to hedge their currency risks and partly to repay debts. Regional brokerage SocGen-Crosby estimates that up to US$35bn in Thai corporate debt comes due in July.

Across the region, the cost of the depreciation is being keenly felt. In Thailand, authorities yesterday threatened to rethink Hopewell Holdings' involvement in the Bangkok rail project. Last week Hopewell, a Hong Kong based company, said it would seek a tariff rise to make up for the damage caused by the baht devaluation.

In Malaysia, talks on how much to pay ABB, the Swiss-Swedish engineering company, to build Asia's biggest hydro-electric dam failed to reach accord. Malaysian Airlines said the rising cost of its fuel, which it buys in US dollars, would affect earnings.

Hopes for an imminent end to the turmoil appear bleak, economists said. The baht yesterday slumped to a new low of Bt32.75 to the US dollar before ending the day higher at just under Bt32, against Bt32.40 at Wednesday's close.

Anticipating a time of tight liquidity, Bangkok Bank, Thailand's biggest, lifted its minimum lending rate yesterday by 1 percentage point to 13.75 per cent.

The Singapore dollar, which has remained relatively stable, sank to a 32-month low of S$1.4785 in the day's trade but recovered to S$1.4770 later. Dealers said they had interpreted comments by Mr Richard Hu, finance minister, as a signal some depreciation was necessary to ensure Singapore's export competitiveness.

The ringgit fell to M$2.6540 in early trade, compared with Wednesday's M$2.6355. It rebounded slightly after Dr Mahathir's comments but slipped again later. The Indonesian rupiah slipped to Rp2,613 after starting trade at Rp2,575 and the Philippine peso ended steady at 28.500.

Many market participants were looking to a meeting of Asian central bankers in Shanghai today for signals on the future of beleaguered currencies. But economists said any hopes for agreement on concerted intervention could be disappointed.

Many regional central banks, especially in Thailand, Malaysia and the Philippines, have lost heavily against speculators and can no longer afford a sustained defence, economists said.

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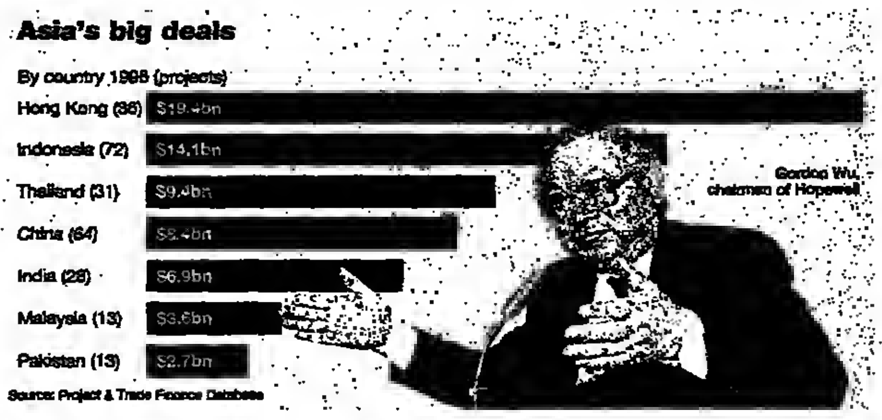
Currency depreciations in Thailand and elsewhere will add to difficulties in funding projects

SE Asia infrastructure finance problems loom



Gordon Wu: chairman of Hopewell

The renewed hostilities yesterday between the Thai government and Hopewell Holdings, one of the region's biggest conglomerates, over development of a $3.7bn Bangkok road and rail system highlight the problems in concluding privately financed infrastructure deals in the region.

Bankers say the recent currency depreciations in Thailand and elsewhere will add to growing funding difficulties and could cause the recent heady rise in Asian construction of power plants, water and transport systems to slow.

Private sector investors have led the way in funding Asia's infrastructure in recent years, generating funding for operators such as Sir Gordon Wu's Hopewell Holdings, which is now struggling to advance its Bangkok road and rail scheme.

The project has consistently been dogged by delays and rising costs.

Last week, Hopewell said it might try to renegotiate tariff increases with the Thai government to compensate for the increased cost of the project due to falling currency values.

Difficulties in funding the project were caused originally by a collapse in Bangkok property prices.

Much of the income from the scheme is planned to come from rents from retail and commercial premises to be built underneath the elevated transport system.

Mr Peter Barlow, executive vice president at Nomura Project Finance International in Hong Kong, says the currency crisis has coincided with a structural shift in funding patterns for private sector infrastructure schemes in Asia.

First, a number of south-east Asian economies such as Malaysia have reached or are close to reaching self-sufficiency in areas such as energy and hence their governments no longer have to offer such generous terms on tariffs and support.

Second, an increasing number of banks are concentrating project finance efforts on India and China, where the politics are difficult but the potential markets and rewards much greater.

Third, there has been a shift towards more Asian companies investing in infrastructure projects in the region. These include YTL in Malaysia and Hopewell, New World and Chung Kong in Hong Kong.

Finally, there has been a move towards greater use of bond and equity markets which provide a more stable long-term source of funding than straightforward project finance.

"I would expect the recent round of currency depreciations to encourage these trends," said Mr Barlow.

Yet even without this latest hiccup, margins have become increasingly thin as competition to win concessions to operate the next generation power plants, toll roads, light rail and water systems has become increasingly fierce.

Hopewell is not the only developer to hit problems. Some of the 11 overseas and seven local companies which recently signed power purchase accords with the state-owned Electricity Generating Authority of Thailand (Egat), are looking to renegotiate terms following the collapse of the baht.

They include Mission Energy of the US, Tomen Corporation of Japan and Imatran Voima of Finland.

Work on the $3.15bn Bakun dam in Malaysia also has been frustrated by contract disagreements between Malaysian group Ekran, the project manager and ABB of Switzerland, the lead contractor.

A rights issue by Ekran to purchase a 32 per cent stake in the scheme was a dismal failure.

A new private sector light rail scheme recently opened in Kuala Lumpur, the Malaysian capital, is struggling to generate enough income to cover debt repayments. Sponsors blame lower than expected passenger traffic on the failure of authorities to honour commitments to discourage car use in the capital and provide sufficient feeder bus links to the railway.

In Pakistan, Consolidated Electric Power Asia (Cepa) the former independent power producing arm of Hopewell, recently taken over by Southern Energy of the US, is hoping to persuade the new government in Islamabad not to cancel a $5.5bn power project in Sindh province negotiated with the previous Bhutto regime.

Project finance lending margins had also narrowed considerably as competition between banks in the sector had increased.

Mr William Rathvon, head of Asian project finance for Bank of America, thinks growth in Asian infrastructure development is likely to slow rather than reverse as a result of the currency crisis.

"There is still a tremendous need for infrastructure in what will remain a very dynamic region," he said.

Andrew Taylor

Pakistan and IMF near $1.6bn loan accord

By Farhan Bokhari in Islamabad

Pakistan and the International Monetary Fund yesterday announced they were close to a loan agreement which could help the country regain standing with foreign lenders.

The $1.6bn loan, to be disbursed during the next three years under a combination of ESAF (Extended Structural Adjustment Facility) and EFF (Extended Finance Facility), still needs to be formally approved by the fund's executive board.

A visiting IMF official strongly endorsed Pakistan's recent economic reforms, suggesting the final approval may become a formality. News of the expected agreement sent share prices up by almost 1.8 per cent on the Karachi stock market.

Businessmen in Islamabad said an agreement would eliminate the danger of Pakistan defaulting on its foreign debt repayments of $2.5bn, due by December. In recent months, Pakistan's growing trade deficit and rising pressure to keep up with its debt repayments had led analysts to predict a default in the next six to 12 months.

Bankers said that without an IMF accord, lenders would be reluctant to help Pakistan meet its loan repayments. The financial year that ended last month saw the annual trade deficit rise to its highest ever of $3.37bn; official foreign exchange reserves at just over $1bn are only enough to finance three to four weeks' imports.

Mr Paul Chabrier, director of the IMF's Middle Eastern department, said at the end of his visit: "Apart from minor details, we have agreed on this programme and will bring it back to Washington" for the board's approval. Pakistani finance ministry officials said they expected formal approval by September.

Mr Chabrier described Pakistan's recent economic reforms as evidence of "a new culture" in managing the economy. The fund was impressed by broad trade liberalisation, tax reforms and moves to make the central bank independent.

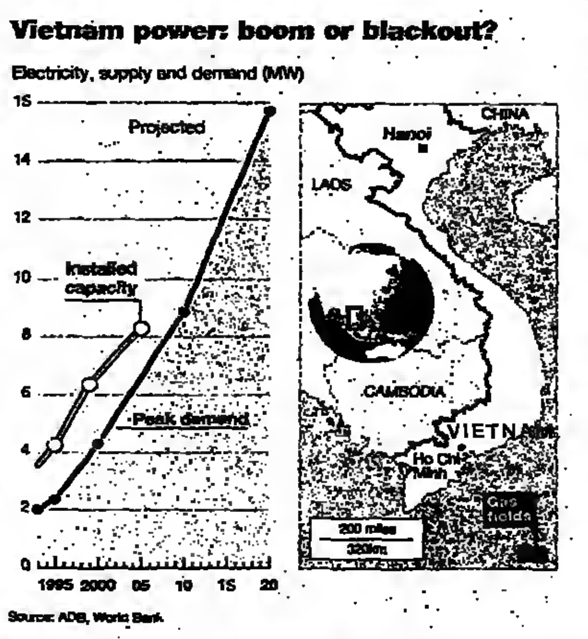
He was referring to measures announced in the past three months, including a 20 per cent cut in the top import tariff and a drop in income tax rates to a 5-20 per cent range, down from 10-35 per cent.

But yesterday's announcement still left lingering fears that a new IMF programme may collapse mid-term. During the past decade, Pakistan has entered into six IMF programmes, but each was aborted mid-term when the country failed to meet its key conditions.

Part of the problem has been widespread tax evasion, which has led revenues to trail behind collection targets, with the budget deficit staying above estimates.

Mr Sartaj Aziz, the finance minister, said that in view of growing economic pressures "Pakistan now has no choice but to reform."

Vietnam faces the prospect of power crunch next year



Vietnam may have just finished counting votes in an election but will soon be counting the cost of the crippling political inertia that preceded the poll.

With decision-making virtually frozen for the past 18 months as a leadership struggle raged in the Communist party, the timetable has slipped on a series of crucial power projects.

That, experts and officials say, raises the spectre of a power crunch next year which could hurt local industry, scare foreign investors and jeopardise economic growth. "It's not good news and I think it could be quite serious," said one foreign energy company executive. "If the projects had gone ahead as scheduled, there wouldn't be a problem."

A senior official at the industry ministry acknowledged the problem but said it would be short-lived: "We will have a short period of shortage because some power stations will [only] be completed in 1999. We are trying to find solutions."

When foreign investors flocked to Vietnam a decade ago, the government realised its crumbling Soviet-built power systems would soon be overwhelmed. With factories mushrooming across Vietnam's southern industrial heartland, electricity sales have grown faster than expected: by 20 per cent a year since 1993, the World Bank says.

The solution: four power stations at Phu My, south-east of Ho Chi Minh City. Once ready, they will add 2,400MW to present nationwide capacity of 4,000MW, helping fuel an emerging "growth triangle" south-east of the former Saigon. Each will use gas piped from a discovery made by British Petroleum, Norway's Statoil and India's Oil and Natural Gas Commission (ONGC) in Nam Con Son Basin, 400km off the south coast.

Ensuring the gas is available by 1999 is critical to the success of Phu My, and thus to averting a power shortage. But government talks with BP/Statoil on pricing and tariff arrangements associated with a $1.5bn scheme to exploit the gas have gone slowly.

Mr Barry Bidston of BP in Ho Chi Minh City was confident deadlines could be met, but conceded it was "quite an ambitious time scale" for this project". Political uncertainty over the leadership issue is partly to blame. But bureaucratic incompetence is also a factor.

Hanoi's Soviet-trained bureaucrats are more qualified to handle socialist production targets than analyse commercial rates of return. Nobody is co-ordinating the six ministries involved, which rarely share information.

"If the gas is not brought onshore on time, you have a major crisis in this country," warned one foreign energy adviser. "There just isn't the competence within the government to manage this sort of project in a short time."

Critics point to two issues linked to Hanoi's approach to the gas project that do not augur well for other, privately funded power projects. One is Hanoi's determination to squeeze the best possible pricing from its foreign partners. That may be a healthy business instinct, but has blinded bureaucrats to the need to get gas onshore fast.

"They'll argue for months over a few cents difference. There's no concept of 'cost of time' in the entire system. Socialist governments have never really thought of time as having money value," the foreign adviser said.

Another issue is that not everyone in Hanoi seems convinced of the need for private finance to meet Vietnam's future power needs, huge even without the Phu My project.

The World Bank estimates Vietnam needs $7.4bn invested in power over the next five years, and that most of that will have to be negotiated with private investors on a build-operate-transfer (BOT) basis.

Some suspect bureaucrats are holding out for foreign multilateral funding, reducing the need to make the kind of politically tough concessions normally required under BOT. But the foreign adviser said: "The government simply doesn't have the money, and the donors won't provide it."

Jittery foreign investors are already opting out of the national grid and crumbling transmission systems by building their factories in industrial zones with their own power plants.

Others are taking no chances. Indochina Building Supplies, a joint venture making tiles near Ho Chi Minh City, has installed an in-house generator. So has the American Standard company across the road.

In a sign of official nervousness, the Saigon power company recently sent inspectors round the city's biggest hotels to see how many have their own back-up generators.

Mr Nixon Chung, manager of the New World Saigon hotel, is steeling himself for the opening of a clutch of new hotels and office blocks. "Six months down the road, when they're in operation – I'm not feeling that comfortable," he says.

Jeremy Grant

CONTRACTS & TENDERS

LEGAL NOTICES

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT
NO 003455 OF 1997
IN THE MATTER OF
NETWORK MANAGERS (UK) LIMITED
AND IN THE MATTER OF THE
COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 8th July 1997 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the share capital by £950,000 from £1 000,000 to £50,000 and cancellation of the Share Premium Account of the above-named Company

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before The Companies Court Registrar at the Royal Courts of Justice, Strand, London WC2A 2LL on 13th day of August 1997.

ANY CREDITOR or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of the share capital and cancellation of Share Premium Account should appear at the time of the hearing in person or by Counsel for that purpose

A COPY of the said Petition will be furnished to any such person requiring the same by the undermentioned solicitors on payment of the regulated charge for the same

DATED this 22 day of July 1997
DEBB LUPTON ALSOP
125 LONDON WALL, LONDON EC2Y 5AE
Tel: 0345 262720
Ref: CJW
Solicitors for the above named Company

PUBLIC NOTICES

SECTION 8
WATER INDUSTRY ACT 1991
ENVIRO-LOGIC LIMITED

NOTICE IS HEREBY GIVEN that on 16.07.97 Enviro-Logic Ltd of 42-46 Weymouth Street, London WQN 3LQ applied to the Director General of Water Services for an appointment as a water and sewerage undertaker to replace Southern Water Services Ltd in respect of the area at Southampton General Hospital, Southampton SO16 6YD at present occupied by Southampton University Hospitals NHS Trust. The application is made in the circumstances described by Section 7(4)(bb).

BUSINESSES FOR SALE

PUBLIC NOTICES

öftel Office of Telecommunications

NOTICE OF MODIFICATIONS TO THE LICENCE OF BRITISH TELECOMMUNICATIONS PLC UNDER THE TELECOMMUNICATIONS ACT 1984.

1. The Director General of Telecommunications (the 'Director'), in accordance with section 12(2) of the Telecommunications Act 1984 (the 'Act'), hereby gives notice that he proposes to make modifications to the licence granted to British Telecommunications plc ('BT') on 22 June 1984 (the 'Licence').

2. Condition 13 of the Licence provides for agreements for the connection of systems providing connection services. Condition 16A provides for the publication of information relating to Condition 13 agreements. Condition 16B requires BT to refer for determination by the Director the charges for Standard Services. Condition 20B provides for the production of audited financial information. Condition 46 concerns the provision of Private Circuits.

3. The principal modifications which the Director proposes to make to the above Conditions and their effect are the introduction of new mechanisms of regulating BT's 'wholesale' charges to other network operators by

(a) *modifying* Condition 13 to remove the power of determination by the Director of charges or any other terms of interconnection agreements, and changing the cost base of interconnection charges from historic fully allocated costs to forward looking long run incremental costs (plus mark up for common costs), and the imposition of obligations on BT to agree interconnection on terms and conditions (including charges) which are non-discriminatory and reasonable:

- BT must publish notice of any change to a charge with information on components of services and routing factors.
- Private circuit services will be removed from the ambit of Condition 13 and Condition 46 will be deleted, so these services will be required to be provided under Condition 1.
- Once the licences of operators entitled to interconnection under Condition 13 have been modified to bring them into line with these modifications, the Director will be required to consider any issues concerning the provision of services by an operator to BT with reference to the provisions of the operator's licence.
- When charge controls do not apply, and the Director considers a charge for a service unlikely to be competitive before 30 September 2001 to be unreasonable, he may impose a charge cap.

(b) Implementing a new framework of charge controls to apply from 1 October 1997 to 30 September 2001 and giving BT flexibility to set its own interconnection charges depending on the competitiveness of the interconnection service concerned:

- *For Competitive Services:* BT will be free to set charges (subject to the generally applicable provisions of its licence and general competition law); new services will be deemed competitive unless the Director determines them otherwise.
- *For Prospectively Competitive Services (those which are expected to become competitive during the period of the controls) and Public Emergency Services:* safeguard caps of RPI+0% will apply each year to the interim charge for 1997/8 for each service so that charges may not rise in real terms. This will essentially be a back-stop provision - as services become competitive, charges will be driven down below the safeguard level.
- *For Bottleneck and Non-Competitive Services:* charge caps will be introduced on 3 separate baskets of interconnection services to ensure that charges reflect efficiencies BT could be expected to achieve in a competitive market so as to reduce to network costs. The weighted average of the starting charge (charges to be agreed between BT and the Director before the modifications come into effect) for services in the baskets will be allowed to increase by no more than RPI-X each year if the change in RPI is greater than X, or must fall by at least X-RPI if the change in RPI is smaller than X. The value of X proposed for all three baskets is 8%.

(c) imposing as a corollary of the greater freedom given to BT to set charges an obligation on BT to demonstrate that it's charges are reasonably derived from the costs of the service.

(d) retaining requirements in Condition 16B (deleted) on BT to offer services and charges which are not unduly discriminatory and to publish a Standard List identifying *inter alia* Standard Service charges and details of components of services and routing factors and to determine that a service market is competitive.

(e) absorbing Condition 16A (which requires the publication of interconnection agreements) into Condition 13.

(f) modifying Condition 20B to reflect the end of determinations of interconnection charges and the change to the cost basis for interconnection services. Provisions which require BT to maintain current cost accounting records on the same basis as those prepared on an historic cost basis are inserted and BT will be required to produce statements of long run incremental costs:

- BT will be required to publish any comments made by the Director on the financial statements.
- BT's obligation to produce historic cost statements will end with the financial year 1998/9.
- BT's obligation to produce interim financial statements will end with the financial year 1997/8.
- Final charges for 1997/8 will be based on the Interim Financial Statements.

4. The Director also proposes to make a number of minor and consequential modifications for the purposes of the modifications mentioned above.

5. The Director proposes to make the modifications because they will provide a framework which is more appropriate for a maturing and increasingly competitive market better reflecting the basis on which commercial businesses in competitive markets make investment decisions. He proposes to make the modifications referred to in paragraph 3(f) above to improve the examination and investigation by the Director of whether charges offered are properly and transparently derived from costs.

6. Further explanation of the reasons for the proposed modifications are set out in OFTEL's consultative documents 'Network Charges from 1997' (December 1996 and May 1997), and to statement, 'Network Charges from 1997' (July 1997).

7. The Director is required by section 12(2) of the Act to consider any representations or objections to the proposed modifications which are duly made and not withdrawn. Following such consideration, the Director proposes to make the modifications forthwith subject to BT's consent to them.

8. Representations or objections to the proposed modifications may be made to the Director by 22 August 1997 and should be addressed to Chris Taylor at OFTEL, 50 Ludgate Hill, London EC4M 7JJ (0171 634 8850) from whom a copy of the proposed modifications may be obtained on or after 25 July. Any confidential material should be clearly marked as such and separated out into a confidential annex. All representations or objections received by OFTEL, with the exception of material marked confidential, will be made available for inspection in OFTEL's library. Short comments can also be e-mailed to OFTEL at netcomp.oftel@gtnet.gov.uk.

9. Following 22 August, there will be a 2 week period to 5 September during which interested parties are invited to comment on the representations and objections received.

COMMERCIAL PROPERTY

BUSINESSES FOR SALE

öftel Office of Telecommunications

PROPOSED MODIFICATIONS OF THE LICENCE OF BRITISH TELECOMMUNICATIONS (BT)

1. The Director General of Telecommunications (the "Director"), in accordance with section 12(2) of the Telecommunications Act 1984 (the "Act"), hereby gives notice that he proposes to make modifications to the licence granted to British Telecommunications ("BT") on 22 June 1984 (the "Licence").

2. The Director proposes to make the modifications, described in the Schedule below (the "Schedule") to provide a degree of additional regulatory reassurance that BT will continue to adhere to its licence obligations in the United Kingdom in the light of the company's progressive globalisation. Further explanation of the reasons for the proposed modifications are set out in OFTEL's Consultation Document "Domestic Obligations in a Global Market" (March 1997) and its Statement of 24 July 1997.

3. The Director is required by section 12(2) of the Act to consider any representations or objections which are duly made and not withdrawn. Subject to such consideration and BT's consent, the Director proposes to make the modifications forthwith.

4. The consultation procedure comprises two stages. In the first stage, representations on or objections to the proposed modifications may be made to Rosemary Buck, OFTEL, 50 Ludgate Hill, London EC4M 7JJ (telephone 0171 634 8822, fax 0171 634 8847) by no later than Friday, 22 August 1997.

5. Any confidential material should be clearly marked as such and separated out into a confidential annex. All representations and objections received by OFTEL, with the exception of material marked confidential, will be made available for inspection in OFTEL's library. Comments on this document (if they are relatively short) can also be sent to OFTEL at the following e-mail address: press.office.oftel@gtnet.gov.uk

6. In the second stage of consultation, interested parties are invited to send comments to OFTEL no later than Friday, 5 September 1997 on the representations and objections received in the first stage. Copies of the proposed modifications can be obtained from Rosemary Buck at the above address.

The Schedule

Proposed Modifications of the BT Licence

It is proposed to modify the licence to insert a new Condition (expiring on 21 June 2004 unless the Director otherwise determines) which will require BT not to do anything which would materially detract from its ability during the remainder of the licence to comply with its licence obligations to provide telecommunication services and any licence and statutory obligations to provide such services to a specified standard.

The Condition will require BT to submit annually a certificate as to whether, in the opinion of its board of directors, it has infringed the Condition during the year. The Director will be empowered to require BT to obtain an auditor's report as to whether it has appropriate systems and processes for the certificate to be given and whether these have been followed.

CONTRACTS & TENDERS

INVITATION
TO EXPRESS INTEREST IN KELLER S.p.a.
In Amministrazione Straordinaria

Keller S.p.a. a metallurgical and mechanical engineering company in Amministrazione Straordinaria, operating in the railway sector, has an industrial installation in the city of Palermo - Italy, with n. 3 production facilities and a development and formation centre, located in the proximity of the railway station of S. Lorenzo Colli, also included is a warehouse for stocking the material with a covered area in the east industrial zone.

The company covers a total area of 55,000 sq.m. of which approximately 37,000 sq.m. are covered, with two facilities linked to the Italian Railways network.

The company is carrying out a production resumption plan under article 2, comma 5 of the April 1979 law n. 95 (Prodi law) approved by the Minister of Industry on December 22, 1994.

Its order book corresponds to approximately 650,000 hours still to be developed. The commissioner intends to initiate the proceedings for the sale of the Industrial complex, excluding its existing debts and receivables, other than those specific operating debts and receivables, with the objective of maintaining the same employment level, and therefore:

INVITES

all parties who may be interested in the acquisition should express their interest to such effect by registered letter addressed to:
Prof. Maria Martellini,
Commissario della Keller S.p.a. in A.S.
Presso Notaio Sergio Casali,
Via Fatebenefratelli n. 4
20121 Milano

such letter should include details of the interested party which should be a joint stock company or another collective body, highlighting the first ten partners and a copy of its latest approved balance sheet.

All parties who will express interest in the manner mentioned above by September 15, 1997 may count on the maximum confidentiality in regards to the existence and the contents of their communication and therefore obtain, upon signing a confidentiality agreement, an information document containing the essential data on the Company.

On completion of the information procedure, the commissioner reserves the right of starting the proceedings for the sale on terms and conditions which will be object of a public announcement.

This notice does not in any way constitute:

- an offer to the public within the meaning of Article 1336 of the Italian Civil Code;
- a solicitation to public saving, in that the subject of the future sale will not be either directly or indirectly constituted by shares or by assets of any kind.

This notice and all relationships arising therefrom are subject to Italian law and jurisdiction.

Il Commissario della
Keller S.p.a. in AS
(Prof. Maria Martellini)

The procedures are clear for the proposed forum, even though a suitable site has not been found

Parliament for Scotland takes shape

By John Kampfner, Chief Political Correspondent

On September 11 a referendum will ask voters who live in Scotland if they want a parliament in Edinburgh, the capital, and whether it should have tax-varying powers.

Pending approval, almost certain whatever the turnout, lagislation will go through the House of Commons. The in-built Conservative majority in the House of Lords may try to stop it, but will be reluctant to interfere too much for fear of hastening the death-knell of the unelected upper chamber.

That legislation should be completed by mid or late 1998. Elections to the new parliament are planned for the first half of 1999, with a transitional period until January 2000.

The parliament has, as yet, no home. The Old Royal High School in central Edinburgh, envisaged for the same purpose in the 1970s, is deemed outdated.

But the procedures are clear. There will be 129 members of the Scottish parliament, to be known as MSPs, sitting in one chamber. Of these, 73 will be elected as at present, in a constituency first-past-the-post system. One new constituency will be formed by separating Shetland and Orkney, the islands off the north-east coast of Scotland. The remaining 56 will be chosen – seven each from the current eight European parliamentary constituencies – under an additional member variant of proportional representation.

Members of the Lords and Commons can serve simultaneously as MSPs. The parliament will be elected for a fixed term of four years, or earlier if at least two-thirds of them vote for dissolution, or fail to agree the choice of first minister.

The first minister will be de facto prime minister of Scotland, with powers to appoint an executive (cabinet) of unspecified size. Salaries of MSPs and executive members will be determined by the senior salaries review body and paid for out of the Scottish budget. Given the likely lack of a majority for a single party under the new voting system, that government could form a new model for Britain of a coalition.

MSPs will also elect a presiding officer (speaker) and two deputies. Scottish law officers will be appointed by the Queen, who remains head of state. Nearly 12,000 civil servants working for the present Scottish Office, mainly in Edinburgh, will transfer functions to the parliament and will be paid by it, although they will continue to belong to the civil service. They will liaise closely with government departments in London. The job of Scottish secretary will remain, with a small staff, to co-ordinate between Edinburgh and London.

The Vigil for a Scottish Parliament, in Edinburgh, set up in 1992 after a gathering of home rule demonstrators

Editorial Comment, Page 21

Foreign companies boost engineering

By Peter Marsh

European Commission's report criticises the domestic sector for its 'lack of innovation'

Foreign-owned companies are the principle source of ideas helping competitiveness in the UK engineering sector, says a European Commission report, which criticises UK-owned companies' lack of innovation and marketing strengths.

Most UK engineering companies are preoccupied with short-term profits and lack "qualified labour and technological competence," says the report prepared for the commission by Germany's Munich-based Ifo research institute.

The report concerns the European Union's mechanical engineering industry, which has annual sales of Ecu234bn ($257bn) and employs 2.2m people.

While the UK scores especially poorly, Ifo says in the past decade all of Europe's mechanical engineering industry has become less competitive in relation to the US and Japan, particularly in high-tech areas.

UK spending on research and development lags behind EU nations such as Germany and France, the report says. British manufacturers suffer from low quality standards and failing to take advantage of low UK wages to build world businesses.

Large investments in the UK by foreign-owned companies have helped to raise standards: "It is mainly the activities of foreign companies in the British mechanical engineering industry which prove that, under present conditions in Britain, it is possible to produce good technical products which can compete on the international market."

Between 1986 and 1994, Britain's share of world trade in mechanical engineering products dropped from 7.2 per cent to 5.9 per cent. Germany suffered a large fall from 25.8 per cent to 20.2 per cent, while the decline for France was from 6.3 per cent to 5.6 per cent. Over the same period Italy increased share from 9.7 per cent to 10 per cent.

Excluding exports to each other, the overall share of EU countries in world trade in mechanical engineering fell from 47 per cent to 40.3 per cent in the eight-year period. Japan increased its share from 22.5 per cent to 23.6 per cent, while the US share went up from 19.2 per cent to 21.2 per cent.

Value added per employee in Britain in 1994 was Ecu38,600, well below the EU average of Ecu43,800 and the figures for the US and Japan of Ecu64,100 and Ecu94,500 respectively. The comparable figures for Italy, Germany and France were Ecu48,300, Ecu46,400 and Ecu41,600. Behind the relative success of Japan and the US are high investment levels in selected technologies, in particular electronics, which are relevant to development of new products, the study says.

Monitoring the evolution in the competitiveness of the EU mechanical engineering industry, Ifo Institute, Poschingerstrosse 5, D-81679 Munich. Fax 00 49 89 9224 1461

Landmark ruling in RTZ legal aid case

By John Mason, Law Courts Correspondent

The prospect of UK-based multinational companies being sued in the British courts over the actions of overseas subsidiaries in developing countries was opened yesterday by a landmark House of Lords judgment.

The law lords ruled that a former employee of an African subsidiary of RTZ, the mining conglomerate, could bring a £400,000 ($668,000) compensation action in the High Court because legal aid was unavailable in Namibia, where the subsidiary operates.

In a majority ruling, the lords decided that although Namibia was the appropriate place for the hearing, the lack of legal aid there meant that in the interests of justice it could be brought in the UK.

Mr Edward Connolly, a Scottish maintenance engineer, claims he was poisoned by uranium dust while working for Rossing Uranium. He was later diagnosed as suffering from cancer of the larynx.

He began an action against RTZ in Britain but the courts struck it out on the basis that it should be heard in Namibia.

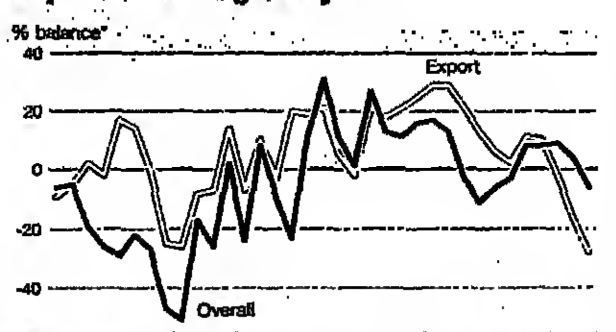
Lord Goff said that, as a general rule, an action in the British courts would not be allowed to continue simply because financial assistance was not available in the appropriate forum. However, the position was different if it could be shown a claimant would not receive justice elsewhere.

Dissenting, Lord Hoffmann said to allow the case to proceed on the basis that legal aid was not available in Namibia meant an action launched by a rich claimant would be blocked while an action by a poor plaintiff would not. It also meant the more speculative and difficult the action, the more likely it was to be allowed to proceed in the UK with the support of public funds. "Such distinctions will do the law no credit," he said.

Overseas orders hit by strong sterling

By Robert Chote and Wolfgang Münchau

Export outlook gloomy



Source: CBI *Companies reporting an increase minus those reporting a decrease in optimism

British manufacturers have reported the biggest collapse in their export prospects for almost 17 years, as sterling's strength empties overseas order books.

Manufacturers' optimism regarding their export prospects has fallen further in the last four months than at any time since October 1980, according to the latest quarterly survey from the Confederation of British Industry, the biggest employers' lobby.

The decline in confidence follows four months during which export orders have been falling at their fastest rate since 1991 – a trend which is expected to continue. Twice as many manufacturera have reported declines in export orders over that period than have reported rises.

Factory output is expected to continue increasing, however, as domestic orders are rising at their fastest rate for more than two years. But manufacturers' expectations for demand have turned out to be over optimistic in each of the last nine quarters.

Mr Andrew Buxton, chairman of the CBI's economic affairs committee, said the dichotomy between weak export and strong domestic demand left the Bank of England, the UK central bank, facing a tough decision on monetary policy. But he concluded that "any interest rate rise in the short-term would be unwelcome".

Mr Buxton added that Mr Gordon Brown, the chancellor of the exchequer, should have done more to restrain consumer spending in his Budget, but "now we have got to live with the situation we have got".

The survey was carried out between June 20 and July 9, at which time the pound averaged DM2.91 and $1.67. Since then sterling has continued to appreciate against the D-mark, closing yesterday at DM3.06. Against the dollar it remains at $1.67.

The drop in export orders has not yet shown up as a fall in shipments overseas. Excluding oil and erratic items, export volumes in the three months to May were 2.7 per cent up on the previous three months, the Office for National Statistics reported yesterday.

The UK's trade gap with the rest of the world improved from £989m ($1,651m) in April to £508m in May, to the surprise of City economists. The underlying deficit, which excludes oil and arratic items, declined from £1.47bn to £953m, the lowest level in almost six years.

But in previous periods of currency appreciation, the impact of declining competitiveness on exports and the trade deficit has only appeared after a long lag.

Prices are now a greater constraint on export orders than at any time since 1981, the survey found. Export prices hava fallen for the fifth successive quarter and at a rate unmatched since 1973, although sterling's strong exchange rate has also helped reduce costs.

Embassies may fall victim to spending review

By Robert Chote and Nicholas Timmins

The sale of embassies overseas, a hypothecated health tax, a new housing benefit which would cover homeowners as well as tenants and widespread disposal of public sector assets will all be examined in the government's comprehensive spending review, departments made clear yesterday.

At the same time, four cross-departmental reviews will seek a new local government finance system and examine spending on criminal justice, rural policy and housing.

Each department has promised to reasaess its basic objectives, look at the scope for asset sales and investigate opportunities for further partnerships with the private sector, including contracting services out and transferring municipal authority houses to local housing companies. Departments are also being encouraged to look at ways of achieving objectives "by instruments other than public spending".

The reviews, whose impact will start to be felt in next year's spending round, are intended to ensure that the government does not lose control of expenditure in the run-up to the next election. Mr Alastair Darling, the chief secretary to the Treasury, said they were also intended to "shape public spending to the end of the century and beyond". While examining which assets can be disposed of, the reviews also aim to promote "opportunity and employment, investment and fairness", he said.

The Department of Social Security's terms of reference are notable for listing the "encouragement of financial independence" as a first objective. It is also to consider alternatives to public spending "such as other forms of collective or private provision".

Mr Frank Field, the minister for welfare reform, said that did not mean abolishing the state earnings-related pension scheme, as its retention la a manifesto commitment. But he predicted that the development of new forms of pension saving would see people move out voluntarily by the next election so that "people will not think it is an issue".

UK NEWS DIGEST

BT faces new licence rules

British Telecommunications will have to certify each year that it does not neglect its UK customers in its drive for global expansion, under a proposal tabled yesterday by Oftel, the telecoms industry regulator. The proposal comes at a crucial time for BT, which plans to acquire MCI Communications, the second-biggest long-distance operator in the US, for $20bn. Those plans have come under scrutiny since MCI issued an unexpected profit warning. Yesterday, however, BT said the proposed new licence condition was "unnecessary" and emphasised that it continues to invest heavily in Britain. Aside from its Concert joint venture with MCI, BT has more than 70 other joint ventures deals in more than 40 countries. BT announced yesterday that its Italian venture, Albacom, would be expanded after Eni, the Italian energy group, agreed to take a 35 per cent stake and make its national fibre optic network available.

● The Ministry of Defence will today sign a contract with a consortium led by BT to manage most of its fixed telephone communication systems across the UK. The 10-year deal worth £800m ($1,336m) will go to the INCA consortium.
Paul Taylor

■ NUCLEAR INDUSTRY

Pressure for new waste strategy

Pressure on the government to come up with a new strategy for storing nuclear waste intensified yesterday when its main advisers said "fundamental questions" were raised by the scuppering of a plan to build a storage site in north-west England. The Radioactive Waste Management Advisory Committee said in its annual report that the dismissal of the project this year had "wide-ranging implications" for the nuclear industry, in particular for Nirex, the body responsible for nuclear waste management.

The £1.9bn ($3.1bn) storage facility was earmarked for construction around 2020. It is needed for long-term storage of nuclear waste from UK power stations and from reprocessing of spent fuel in contracts with overseas customers won by British Nuclear Fuels.

Anti-nuclear campaigners interpreted the report as raising further questions about Nirex's future. But Nirex, set up in 1982 by the nuclear industry to manage new facilities for the disposal of nuclear waste, said people calling for its demise were "a bit sad". It had no plans for winding itself up.
Peter Marsh

■ HELICOPTER CRASH

RAF to co-operate with inquiry

The Royal Air Force said yesterday it would co-operate fully with the new House of Commons defence committee after MPs questioned the official inquiry into the 1994 Chinook helicopter crash. "If the committee make representations to us about the crash we shall consider what they have to say to us very carefully and we shall respond," said the RAF last night, referring to the Mull of Kintyre crash in Scotland, which killed 25 Northern Ireland intelligence experts and four air crew.

As reported in the FT on Thursday, at a private meeting this week, the committee agreed to question the MoD's verdict that the crash of the Chinook Mark 2 resulted from "gross negligence" on the part of the two pilots – Flt Lt Jonathan Tapper and Flt Lt Richard Cook. This verdict conflicted with a fatal accident inquiry into the crash by a Scottish law officer which was unable to reach a firm conclusion. At a meeting last week with defence ministers, ex-RAF crew pointed out "operational aspects" related to the Chinook which had not been considered, it emerged last night.

Mr Andy Fairfield, a former Chinook pilot and long-standing colleague of Flt Lt Cook, said yesterday that the day before the crash, test pilots at RAF Boscombe Down had suspended flight trials of the Mark 2.

"The pilots were deeply concerned about the 'unquantifiable' reliability of the FADEC," said Mr Fairfield, referring to the computer systems controlling Chinook engines.
Jimmy Burns

■ EDUCATION

Teachers' register to be set up

A national register of competent teachers is to be set up under the guidance of a new General Teaching Council, the government announced yesterday. The GTC, to be launched in 2000, will have a central role in raising the status of the profession, putting teachers on a par with lawyers and doctors. As such, it will be given a key role in barring incompetent teachers from the classroom. The chief education minister would reserva the final right to sack teachers but the GTC could ensure that teachers were "struck off" the register. But teachers' unions, which have long campaigned for a GTC, responded angrily to the proposals to limit union representation, claiming the government was "trying to drive a wedge between teachers and their unions".
Simon Targett

■ CITY REGULATION

Plans to hold directors to account

Investment banks and other financial institutions will have to ensure that senior directors are held to account for failures in controls by stating clearly how responsibilities are divided, under new regulatory proposals. The Securities and Investments Board, responding to controversy following the collapse of the UK merchant bank Barings in February 1995, calls for firms to be able to show exactly what jobs all senior managers hold. The chief City regulator said minds would be concentrated and any internal confusion or ambiguity exposed if all firms had to demonstrate the division of responsibilities, and all individuals had to acknowledge them formally.

"The purpose of this proposal is not retribution, it is to prevent things going wrong in the first place, but perhaps the possibility of retribution will concentrata the mind," said Sir Andrew Large, SIB's chairman.
John Gapper

Cultural displays mask unease over Northern Ireland talks

Protestants are finding it difficult to adjust to demographic changes, writes **John Murray Brown**

The kerbstones are brightly painted in patriotic red, white and blue. Many of the small terrace-houses in the once predominantly Protestant area of south Belfast, the Northern Ireland capital, are still draped with loyalist flags and bunting left over from July 12, when the defeat of the Catholic King James by Prince William of Orange is celebrated by the Protestant community. But behind this display of cultural identity is a deep unease at the way the peace process is progressing.

The arms issue, dominating Wednesday's critical vote at the multi-party talks is only part of the problem. Protestant anxiety is heightened by the perception that the government'a "confidence-building measures" are all being directed towards the minority Roman Catholic community.

Protestants, who account for about 58 per cent of the population, have historically dominated politics in Northern Ireland. But elections this summer saw them lose control of Belfast and other local councils. They are finding it hard to adjust.

In the 1971 census, Protestants made up 20 per cent of Londonderry's west bank population – on one side of the River Foyle, which divides the city. By 1991, the most recent census, they comprised just 5 per cent, or 2,500 people. Mr Alistair Simpson, a local community worker, estimates there are less than 100 Protestant families there today.

These demographic trends are repeated elsewhere, in Newry and other largely nationalist towns. Roman Catholics now form the a majority in four of the province's six counties; Protestants left the rural west at a rate of 2 per cent a year between 1971 and 1991, moving to what they regard as safer territory.

"We used to have several flute bands in this area. Now we couldn't raise one," says one community worker.

This sense of siege is exacerbated by the perception that employment legislation is favouring Roman Catholics. To the consternation of unionist politicians, Ms Mo Mowlam, the Northern Ireland secretary in the UK government, is committed to "combat discrimination in the workplace".

Mr Dermot Nesbitt – economics lecturer at Queens University, in Belfast, and a candidate for the pro-British Ulster Unionist party in the recent general election – concedes that Roman Catholics account for a disproportionate number of the unemployed, but he attributes this is to a higher Roman Catholic birth rate and higher Protestant migration. Mr Nesbitt dissented from the recent government-appointed Standing Advisory Committee on Human Rights review of fair employment legislation. He was the only committee member with a background in economics. "If they want to give Catholics confidence, the report should have said there is fair employment. By suggesting there was still discrimination, it pleased neither side," he says.

A Protestant area of Belfast: suspicion over jobs laws fuels a siege mentality

Mr Graham Gudgin, director of the Northern Ireland Economic Research Centre, goes further and argues that Roman Catholics took a majority of the 45,000 net jobs created over the past 25 years – a claim publicly rejected by Mr Bob Cooper, chairman of the Fair Employment Commission, set up in the mid-1980s to redress the anti-Catholic bias in work practices.

As the region's traditional industrial base, with its mainly Protestant workforce has shrunk, the new information-based industries have tended to employ women. Official statistics show Roman Catholics take a disproportionate 47 per cent of all female jobs. To many Protestants, the FEC is still known as the "Fenian" Employment Commission. Fenian is a 19th century word for Irish nationalists; it is now used as a derogatory term for Roman Catholics.

While Roman Catholics account for 40 per cent of those available for work, only 38 per cent are actually in jobs. Mr Nesbitt believes that if this gap is to be closed then "less than fair" employment policies must be adopted because of the higher birth rate in the Roman Catholic community – they account for half the school age population. "Otherwise you are simply chasing a moving target," he adds.

صكرا من الاجل

A specialist in psychological assessments for top jobs explains his views to **Richard Donkin**

An open mind on recruitment

Are chief executives the most accomplished people at recruiting their top teams? The questiao is worth considering given their involvement in such procedures aod their self-belief in their decisian-making powers.

It would be natural to conclude that people elevated to such positions are the best placed to select those they want warking alongside them. After all, they got their jabs, we can assume, because of their ability to make the right decisions.

It is this ability, however, that prompted the initial question. It was raised by Mr Tol Bedford, a veteran civil service recruiter in the UK and the former director of consulting with the now privatised Recruitment and Assessment Services.

Mr Bedford, who retired from the civil aervice last year, is chief psychologist at PSL, a company which specialises io psychalagical assessmeots of candidates for senior posts. Mr Bedford pioneered such work in the civil service. Psychological assessments have become routine for all top civil service appointments.

His speciality is to carry out projective tests on candidates, a slightly mare time-consuming procedure than normal qoestiannaire-type psychametric tests. These encourage people to discuss their opinians of others. Typically be will present the candidate with twa people – say Lady Thatcher and Mr Tony Blair – and ask them to say which they regard more highly and why. This klad of approach, argues Mr Bedfard, is much more difficult to fake than a standard persanality test and can be used as a guide in subsequent interviews.

It was the mention of Lady Thatcher that led Mr Bedford to comment on decision-makers. She once remarked, he recalled, that she usually made up her mind about a man within 10 secoods of meeting him and rarely changed her apinian. This made her feelings of betrayal against prominent members of her cabinet, such as Lord Howe, all the more painful when she was deposed as Tory party leader.

"Very seniar people are aften the worst people to maka selection decisiaos because the precise qualities needed to make good leaders are inimical to making good selection decisions. They make np their minds instantly," says Mr Bedford. Good selection, he suggests, oeeds the recruiter to keep an open mind and to weigh up the evidence about ability, experience and character before making a choice.

If only the former prime minister had been aware of the expertise at her fingertips.

Retention strategy

Much has been written in the past year or twa about the need for people in work to imprave their their employability. The theory is that job security will be less of an issue if employees are confident that they have the skills and abilities ta walk into another job should their existing post disappear.

Acquiring such skills, hawever, can be expensive and time-consuming. While some of the better employers are beginning ta provide more intensive training and assistance for people seeking to pursue outside interests, the record for many companies in such areas is patchy.

The Frankfurt-based European arm of American Management Systems, the technalagy and managemeat cansultant, believes its career develapment programme is proving an important retention tool at a time when poaching of top IT specialists to meet skills shortages is becoming an issue for many information technology companies.

A recent report by the Gartner Group gave some idea of the size of the problem. It forecast that over the next two years, camputer systems develapment companies that failed to plan retention strategies for IT project managers, programmers and testers wauld see leaving rates quadruple. This ia because of the intensifying demand for people needed to work aa the warldwide problem associated with systems which have not been programmed to operate beyond 2000.

The European affice of AMS believes it has a development programme that will keep its best people an board. Its "technical architects" programme provides an annual training budget of $500,000 to which 60 of its tap IT specialists have access.

These top 60 so-called "architects" are givea the freedam ta use the training budget in any way they choose for the benefit af their personnel develapment.

"The architects control the budget for the individual developmeat and can choose the develapment methods which they think are best suited to them," says Mr Klaus Elix, AMS chief technology officer far Europe, who devised the project.

Typical expenditure might consist of participating in international conventions or buying software packages for testing. The theory behind the programme, be says, is that the emplayee knows best when assessing learning opportunities.

Another important aspect of the programme is the way it places a premium on technical specialists who may oot want to move into management. "We want people to understand that they don't have to be a manager to be successful in this company," be says.

The idea is that the programme will keep specialists excited about their work and give them the freedam to explore new systems and strategies. "The role of these technicians on a project that builds a system is analogous to that of a building architect on a construction project," says Mr Elix.

Preservation point

A recent froot-page story in Computer Weekly, the UK specialist paper, pointed to plans by Electroaic Data Systems, the systems outsaurciog campaay, to involve its staff in identifying jobs that could be eliminated. The story quoted a letter to staff from Mr John Bateman, bead af the compaay's Eurape, Middle East and Africa divislan, which said: "If you knaw of a positioo which can be eliminated, a contractor replaced by an EDS employee or an apen jab that oeed not be filled, speak up. You need to be involved in slimming the organisation because it is yaur awn job yau are preserving."

The company bas since admitted that the letter could have beea more sensitively worded. It was not its ioteation, said EDS, to eocourage employees ta point out others wha should be listed for redundancy.

The aim was to identify wark that cauld be better organised. It was a mistake, perhaps, ta talk of jabs when the real issue was better organisation of the existing wark. The campany has stressed that many people whose work is displaced in the exercise could find themselves redeployed.

Although the involvement of staff in redeployment may have seemed surprising initially, given the sensitivity of the issue, it may be preferable to the alternative where management simply announces cutbacks with the minimum of consultatian.

Another ootable aspect of the letter is that it left little daubt that the staff employee, at EDS at least, is still regarded as more ioportant thao the temporary worker. Those who champion the advantages of temporary posts over permanent jabs should take note that, when it comes to the bottom line, the temporary jobs still tend to be the first to go.

CHIEF ECONOMIST

c.£42K Cardiff

The Welsh Development Agency is an economic development agency without equal. One of the largest and most influential organisations of its kind in Europe, with an annual budget of more than £150 million, our track record of attracting investment and business development initiatives is unrivalled.

From this powerful base we are now well positioned to enhance our global profile, and with this in mind we now need a high calibre professional who will not only play a directional role in the future of our organisation, but will help to sustain Wales as the best business climate in Europe, in an increasingly competitive environment.

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Possibly moving from the private sector and more than ready to make your impact on an international arena, your extensive experience of economic research, project planning and evaluation must be supported by an economics or related degree. As a manager of a multi-disciplinary team with direct responsibility for an annual budget of some £500,000, you must also have proven senior management skills and experience.

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To apply, write with a full CV and current salary details to: Jayne Barrett, Welsh Development Agency, Principality House, The Friary, Cardiff CF1 4AE.

Closing date for applications is 7 August 1997.

WDA

Senior Credit Risk Officer

London **£ Excellent**

Our client is a global US Bank whose creative and entrepreneurial culture and relationship orientated approach make it one of the world's premier financial institutions. The Bank has an exceptionally strong transaction service business, providing clients worldwide with products including securities clearing, securities lending, global custody and global cash management.

Due to the dynamic growth of the business, a new position has arisen for a talented credit professional to concentrate on the European transaction business.

The Role
- Establish risk policies specific to each product: analyse and quantify these risks and identify appropriate solutions.
- Develop and enhance methods to monitor and mitigate product, payment and settlement systems risk.
- Liaise with product specialists and relationship managers to address risk and credit policy issues.
- Train various areas in the Bank to increase awareness of specific risks related to the transaction services business.

The Candidate
- Superb analytical skills with a minimum of seven years banking experience and proven credit risk credentials.
- Excellent presentation and communication ability combined with the aptitude to present at senior level.
- Creativity and initiative to grow and sustain a profitable yet mature business in a diverse and multi-risk environment.

An outstanding remuneration package will be offered to the successful candidate, comprising competitive salary, performance related bonus and full banking benefits.

Interested candidates should contact Tim Smith on 0171 269 2313, or write to him at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LN. Please quote reference 336349.

Michael Page City
International Recruitment Consultants
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Dresdner Kleinwort Benson

CORPORATE FINANCE

Dresdner Kleinwort Benson is one of the world's leading, fully integrated, investment banks and is recognised as a major force in international investment banking. Due to increasing levels of activity, the Corporate Finance Division of Dresdner Kleinwort Benson is seeking to recruit high calibre Corporate Financiers into two of its industry sector teams. These opportunities offer the scope to develop a broad range of corporate finance skills including working on M&A, international equity issues, general advisory and privatisation assignments.

MINING SECTOR TEAM

Reporting to the Director of Metals and Mining, responsibilities will include industry research, quantitative analysis, client presentations and deal execution. As a key member of a highly successful team: you will have acquired a minimum of 4 years' corporate finance experience in addition to a knowledge of the ferrous and non-ferrous metals and mining industry. Fluency in Spanish will be an advantage.

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As a result of continuing success and expansion, the Health Care Sector Team is currently seeking additional Executives to join its team. Responsibilities will include execution in the biotechnology sector and both execution and marketing in the mainstream pharmaceutical sector. Potential candidates will be newly/recently qualified ACA's, with a relevant science degree and a high track record of achievement post qualification. An additional European language will be an advantage.

In addition to the above specific vacancies, Dresdner Kleinwort Benson has a continuing requirement for candidates at all levels to join industry sector teams or more generalist transaction teams. Candidates whether generalist or industry sector specialist will have the drive and ambition to thrive in a business getting environment and will be excited by the challenges that the opportunity to join Dresdner Kleinwort Benson offers.

All roles require candidates who are qualified ACA's, Solicitors, MBA's or Strategy Consultants, able to demonstrate an excellent academic record and high degree of motivation. The roles require previous corporate finance experience in varying degrees depending on the level of entry. A high degree of numeracy and first class interpersonal skills are essential criteria.

ALL POSITIONS ARE BASED IN LONDON AND OFFER A HIGHLY COMPETITIVE SALARY AND BONUS STRUCTURE.

For further information please contact in strictest confidence our Managing Consultants David Goodrich and Julian Davey at Bell Court House, 11 Blomfield Street, London EC2M 7JF Tel. +44 (0)171 628 0770 Fax. +44 (0)171 638 9667

Prime Executive

ACQUISITIONS/ DISPOSALS

South East/ Midlands

Expanding corporate intermediary firm seeks acquisition/disposal specialist to work from own base. Would suit mature, meticulous FCA, MBA, etc., preferably with Board experience in industry and/or commerce. Excellent verbal and written communication skills are essential.

Please write in confidence to :

Box A5464, Financial Times, One Southwark Bridge, London, SE1 9HL.

SENIOR VICE PRESIDENT

PROJECT FINANCE

£ SIX FIGURE SALARY + SUBSTANTIAL BONUS AND PACKAGE

The client is a multi billion dollar global industrial organisation providing large infrastructure projects in power, industry, oil & gas and rail transportation. A global presence employing over 200,000 staff and a specialist divisionalised structure has enabled it to capitalise on the global upturn in demand for project financings. The role exists within the Project Finance Division, which is an integral part of the comprehensive Financial Services Group and provides an internal investment banking operation. The Project Finance Division is recognised as a market leader in this area and possess an extremely successful track record.

Reporting to the President of the Project Finance Group, you will lead a team of project financiers responsible for a wide range of complex, high profile deals emanating from clients ranging from internal business groups, consortium partners, external developers and third parties. More specifically this will include project screening, development of financing proposals and execution of worldwide limited recourse project financings with a focus on the closing process.

Candidates will possess an excellent academic background, preferably to include an engineering based degree, together with several years in a relevant environment. The ability to take ownership of project finance transactions and bring them to a financial close, together with excellent management, motivation, and interpersonal skills are of paramount important. You will be able to demonstrate a high degree of success in closing project finance transactions, including exposure to emerging markets, in order to take advantage of the volume of deal opportunities and the outstanding career progression offered.

For further information please contact in strictest confidence David Goodrich or Julian Davey
Bell Court House, 11 Blomfield Street, London EC2M 7JF Tel. +44 (0) 171 628 0770 Fax. +44 (0) 171 638 9667

Prime Executive

GERMAN EQUITY SALES SPECIALIST

Metzler Bank is Germany's oldest family-owned private bank. Clients both at home and abroad - whether institutional or private - value our independence, our service and our standards of quality. If you share these principles for success, the bank with an over 300 year old past and a successful present offers you an interesting future.

For servicing and advising our institutional clients in the UK on German equities, we are looking for an experienced sales specialist. If you have several years' experience of equity sales and have forged close client contacts, you fulfill the essential requirements. If you value team work and excel at dealing with clients closely and persuasively, and if you have indepth knowledge of equity analysis - even better.

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In return, we offer success-oriented remuneration, work in a dynamic team and good development prospects.

Interested? If so, we look forward to hearing from you. For initial enquiries, contact Ms Kiessler on (0049-69) 2104-306. Please apply in writing including your complete CV to: B. Metzler seel. Sohn & Co. KGaA, Personalabteilung, Grosse Gallusstrasse 18, 60311 Frankfurt am Main.

B. METZLER SEEL. SOHN & CO.
KOMMANDITGESELLSCHAFT AUF AKTIEN

ABN·AMRO Bank

Trade Finance Specialists

This leading AA rated European Bank is seeking two specialists to strengthen its Trade Finance team in London

You will need a minimum of 5 years trade finance experience, having trained in a commercial banking environment. As well as having generalist trade finance experience you will also have a knowledge of structured trade finance products. The roles carry management status and will be very much "hands on". To succeed the appointed individuals will be able to demonstrate skills in customer relationships and successful transactions.

Although age will not be a barrier, you are likely to be at least in your late 20's – early 30's and ideally possess a relevant degree or be ACIB qualified.

Please write in the first instance, enclosing a detailed curriculum vitae including current salary and package, in strictest confidence, to: J. D. Vine, (Ref TFS/FT), Vine Potterton Limited, Suite 26, Ludgate House, 107-111 Fleet Street, London EC4A 2AB.

VINE POTTERTON
RECRUITMENT ADVERTISING

Any applications sent directly to ABN•AMRO Bank will be forwarded to us.

The Inter-American Development Bank, the largest regional multilateral development institution, based in Washington, D.C., is now reviewing candidates for:

Chief of Funding
(Capital Markets)

With ten years of experience in international finance and a Masters degree or equivalent, to lead a small and dynamic team responsible for developing and executing the Bank's multicurrency funding strategy. *Must be knowledgeable in funding activities and liability management.* Fluency in English required.

The Bank offers an attractive salary, a comprehensive benefits plan, and relocation package. Career-minded individuals interested in a challenging and stable environment, may send their resume (in duplicate) including salary history, which must be received by August 14, 1997, to:

Inter-American Development Bank Stop E0507 RQ-COFCM-FT
1300 New York Avenue NW, Washington, DC 20577 USA
or Fax (202) 623-3014.

As a reflection of its commitment to its borrowing member countries, the Bank may require staff to accept assignments in both country offices and headquarters. *Only applicants which best match the requirements of the position will be acknowledged.* The IDB encourages gender equality in its hiring practices.

INVESTMENT MANAGER

An investment company in Doha - Qatar - Arabian Gulf - is looking for a manager with the following qualifications:

- Minimum ten years experience leading to a senior position in investment banking
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- Fluency in Arabic, written and spoken.

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Interested, fax me your full CV to:

Group Investment Personnel Manager
Tel: 0974 - 444 444
Fax: 0974 - 621 474

MORGAN STANLEY ASSET MANAGEMENT

Performance Analysis/Marketing Support

Senior Associate/Associate

Morgan Stanley Asset Management manages assets on behalf of a wide range of international and domestic clients. To join this dynamic environment, they are now seeking a high calibre individual to manage their dedicated performance analysis function.

Reporting to the Head of Portfolio Services, the successful candidate will primarily be responsible for the production and reporting of investment performance, composite and risk statistics, supporting the marketing function worldwide and applying the latest analytical tools and techniques.

Candidates will be graduates in a numerate discipline with at least three years experience in performance and risk analysis gained within an investment management environment. The construction of complex multi-currency composites requires a high level of accuracy and a disciplined approach. Knowledge of industry reporting standards (AIMR) is essential. Individuals must possess strong interpersonal skills to enable them to communicate effectively with senior management and with marketing professionals.

If you possess the qualities sought, please contact Sarah Hesse-Hunter on 0171 269 2314, or alternatively write enclosing a full curriculum vitae to Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LN, quoting reference 358085. Fax 0171 405 9649.

Michael Page City
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FIXED INCOME SALES

NETHERLANDS

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Responsibilities

- Sale of multi-currency Fixed & Floating rate securities and associated derivatives, to a client base comprising Funds, Money Managers, Insurance Companies and Banks.
- Development and expansion of the client base in the Netherlands

Qualifications

- Graduate calibre
- 2 - 3 years experience of cash and derivatives sales to an existing domestic client base.
- Strong technical skills
- European languages an advantage

Personal Qualities

- Ability to work as part of a team
- Dynamic individual
- Capacity to develop and build institutional relationships

A competitive remuneration package is offered to attract the highest calibre candidates.

Interested candidates should write to **Bradley Rood** at **Jared James**, quoting reference; **69797**, enclosing a full CV. All applications will be treated in the strictest confidence.

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Jared James Associates Ltd
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Telephone: 0171 345 5071 Fax: 0171 308 5064

PARIS

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- *Record of success with a leading accountancy firm.*
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Interviews will be held in London and Paris in September 1997.

Deloitte & Touche

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City

Our client is a leading member of the London Stock Exchange operating in three key business areas – corporate finance, institutional stockbroking and fund management in the UK and international markets.

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Interested applicants should write to Matthew Hubbard at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LN, quoting reference 333525. Fax 0171 405 9649. Alternatively telephone him on 0171 269 2476 for an initial discussion.

Michael Page City
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رئيس التسويق والمبيعات ـ قسم الخدمات المصرفية الإسلامية

راتب تنافسي جدا — وعلاوات ممتازة ومنافع خاصة

عميلنا هو أحد أقسام الصيرفة الإسلامية المرموقة والناجحة جدا لبنك معروف في المملكة المتحدة. وتتألف قاعدة عملائه من مؤسسات الأعمال والمستثمرين من القطاع الخاص الذين تسوق لهم مجموعة واسعة من الإستثمارات الإسلامية ومنها التجارة والمرابحة في السلع الملائمة وتأجير العقارات والأموال العقارية. ونظرا لتوسع نطاق أعمال القسم بشكل جوهري، فقد برزت حاجة ماسة الى تعيين موظف يتمتع بقدر عال من الاحتراف ليتولى دورا قياديا في تطوير الوظائف التسويقية والبيعية للقسم على نحو اكثر تركيزا وتخصصا.

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- تولي مسئولية تدريب وتطوير الموظفين.

ومن شروط المتقدم الناجح أن يكون طموحا وعلى قدر كبير من التحفز والرغبة في العمل ضمن فريق يمتاز بفاعلية مستمرة. كما أن للمهارات العالية في الاتصالات ضرورية جدا بالنسبة للمتقدم الى هذه الوظيفة.

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European Bank
for Reconstruction and Development

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Deputy Resident Representative

The European Bank for Reconstruction and Development has a vacancy for this position of Deputy Resident Representative of its Kazakhstan Resident office, which is based in Almaty. EBRD operations in Kazakhstan are anticipated to grow rapidly over the next few years and the office is expected to expand in line with this, from its current staff of 10. The position is an important one for the Bank, with an attractive remuneration package to reflect this.

Tasks: ☐ The Deputy Resident Representative will report to the Resident Representative and provide support for [illegible] Representative activities and those of the [illegible] ☐ Promote actively the Bank's [illegible] and banks operating in the country; identify [illegible] within the private and public sectors. ☐ [illegible] plans submitted to the Resident Office and [illegible] to prospective clients on the preparation of [illegible], or assist in, the origination, structuring and [illegible] of projects which are driven by the Resident Office. Where [illegible] are led from Headquarters, provide support to the project team in such activities. ☐ Participate in the monitoring of ongoing projects. ☐ Develop a thorough knowledge of specific sectors in the country (these to be developed according to the needs of the Bank). ☐ Provide administrative and other support to the Resident Representative in managing the Resident Office. ☐ More independent project assignments will follow based on experience and performance, and the growth of the Bank's portfolio in Kazakhstan.

Qualifications/experience required: ☐ [illegible] with at least 6 years banking/project finance/[illegible] experience, preferably MBA graduate. ☐ Experience in business plan evaluations and in the origination, structuring, negotiating and monitoring of loan and/or equity investments. ☐ Thorough knowledge of financial modelling. ☐ Work experience must include one of the Bank's countries of operations. Fluent written and spoken English is essential. Fluency in Russian is preferred. ☐ [illegible] should include tasks with a considerable degree of independence.

To apply, please send your detailed [illegible], quoting reference number [illegible] for Kazakhstan [illegible] European Bank for Reconstruction and Development, [illegible], London EC2A 2JN.

All applications will be acknowledged.
Please help by not telephoning.

[illegible] & L[illegible]ILITY MANAGEMENT

[illegible] **HIGHLY COMPETITIVE PACKAGE**

[illegible] as one of the world's largest and most successful banking and financial [illegible] with [illegible] excess of $A189 billion. Its operations in the UK and Eire include retail banking [illegible] at C[illegible] B[illegible] [illegible]hire Bank, Northern Bank and National Irish Bank as well as Wholesale Banking activities b[illegible] Lond[illegible]

This is a[illegible] o[illegible] an expanding Asset & Liability Management team within a world-class organis[illegible] Ambi[illegible] of the A/LM & Pricing functions has led to a requirement for a number of expe[illegible] pr[illegible]

[illegible]anagers

The roles [illegible] of market risk and pricing policies at the individual Bank balance [illegible] candidates will demonstrate a strong understanding of current market risk management [illegible] based simulation and management reporting systems. Good all round management ability is [illegible] *communication, project management and presentation skills.*

Analysts

The role [illegible] sing the effect on the balance sheet of changes in interest rates, asset/liability mix and product margins [illegible] uter simulation technology. The ideal candidates will hold (post-)graduate qualifications in a numerate dis[illegible] and will be familiar with current risk management methodologies such as value-at-risk, Monte Carlo simulatio[illegible] and Linear Path Space.

If you are interested in pursuing these exciting opportunities and believe that you possess the qualities necessary to succeed, please send a comprehensive CV to Human Resources Department, National Australia Bank, 6-8 Tokenhouse Yard, London EC2R 7AJ.

National Australia Bank

ACCOUNTANCY APPOINTMENTS

ACCOUNTANCY APPOINTMENTS

هكذا من الاجل

Calderwood Han

INTERNATIONAL FINANCIAL CONTROLLER
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c. CHF 200,000 pa
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Our client, a Swiss based public holding company active worldwide in metals, minerals and other commodities, is one of the fastest-growing businesses of its type and enjoys a distinct competitive edge of engaging only in ventures which are demonstrably low-cost producers. Its association with the majority shareholder affords the Company considerable advantage in monitoring changing market environments and in identifying/developing new investment opportunities.

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Candidates, aged early to late 30's - with authority, drive, resilience and who are highly adaptable -- are expected to have a degree/professional accounting qualification and at least five years' relevant experience gained in the extractives industry, ideally base metal mining. Exposure to developing countries will be a further advantage. Fluency in English and Spanish (or at least a very good working knowledge of the latter) is essential.

Please write or, preferably, fax in complete confidence, enclosing a suitably detailed curriculum vitae to:

Graham R W Walker
Calderwood Han Limited
4 Queen Anne Mews, London WIM 9OF, UK
Telephone (44) 171 436 4493, Fax (44) 171 636 1920

Buena Vista Home Entertainment

Buena Vista Home Entertainment is a hugely successful sales marketing and distribution organisation, marketing hit videos on behalf of Disney, Touchstone, Miramax and Hollywood Pictures, as well as distributing the latest CD Rom products from Disney Interactive. As part of the Walt Disney Company, they are committed to the values of creativity, integrity and quality that have been their hallmark throughout the years.

They're for thinking on.

SENIOR FINANCE ANALYST

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The ideal candidate will be a 'Big 6' trained ACA with approximately 4 years PQE and previous retail banking experience, either through public practice or a similar banking environment. It is essential that applicants have strong intellectual capabilities coupled with good analytical skills and the energy and diplomacy to deal with staff at all levels.

For the successful candidate we offer a competitive basic salary together with an outstanding range of non salaried benefits.

Interested applicants should write in the strictest confidence to Robert Walker or Brian Hamill at Walker Hamill Executive Selection, forwarding a brief résumé quoting reference RW 3406. All direct applicants will be forwarded to Walker Hamill.

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- *An ambitious dedicated finance professional is required to manage the Bank's audit team. You will be responsible for creating an annual plan for Operational, Automated Information Systems, Compliance, and Financial Audits within the UK branches of the bank, so adding value to the business and aiming to improve overall operational effectiveness.*
- *Candidates will be qualified accountants with internal audit experience gained at managerial level, preferably within a financial services institution or, alternatively from within a large corporate or accountancy firm. You should have excellent IT and relationship management skills in order to have the credibility to command respect at the highest level. A knowledge of banking products and fastidious attention to detail, allied to strong commercial awareness are all vital in order to succeed in this role.*

Please write outlining your suitability to the position and enclosing a curriculum vitae with current remuneration details to Richard Pooley at Ernst & Young Management Resourcing, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH, fax: 0171 931 1022, (ref: RP139) or email: rpooley@cc.ernsty.co.uk

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Both positions will encompass providing a focal point for senior management and traders, overseeing the production of management reporting for the equity derivative business and providing specialist knowledge on the development of accounting policies, procedures, systems and products.

Should you wish to be considered for this opportunity, please send a current CV, including daytime telephone number and salary details, to the advising consultants Harvey Nash Plc, 13 Bruton Street, London W1X 7AH. (Tel: 0171 333 0033, Fax: 0171 333 0032.) Please quote reference number HNF203FT. You may also apply via http://taps.com/Harvey_Nash

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Whitehead Selection
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IT Appointments

AN OPEN LETTER TO FINANCIAL PROFESSIONALS:

ams American Management Systems

Fellow members of the Financial Industry,

We are a management consultancy currently looking to fill a variety of positions in our rapidly growing Financial Industry Practice. We focus on solving complex multi-dimensional problems for large financial institutions. Currently our growth is fuelled by Customer Base Management and Risk Based Management services. In other words, our clients are taking a non-traditional approach toward managing their business. These non traditional approaches require a mix of expertise including decision analytics, business design and modelling and information technology. Our value to the market lies in our ability to provide deep expertise and management of the ongoing trade offs required for our clients to implement change.

Our firm is filled with people who are very bright, motivated, and able to leverage their colleagues in pursuit of results. Because we expect a great deal of innovation and imagination from them, we try to foster a culture that focuses on results as opposed to process. Our people have strong prior experience in pre-eminent academic environments that specialise in physics, mathematics, computer science as well as liberal arts. They have worked at firms known for expertise and innovation in investment banking, retail, and other non-financial organisations.
Most importantly they have demonstrated a history of achieving a measurable body of work in their professional life. You would be challenged by clients, colleagues and business problems.
Our work is certainly not dull.

If you are interested please contact us through our advising consultants.

Kindest regards

Mark Rodrigues, Managing Director Finance Industry Group

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♦ BUSINESS ANALYSTS ♦ TECHNICAL ARCHITECTS
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AMS's business is to partner with clients to achieve breakthrough performance through the intelligent use of information technology. AMS is an international business and information technology consulting firm that provides a full range of services: business re-engineering, change management, systems integration, and systems development and implementation. Headquartered in Fairfax, Virginia, with offices in 53 cities worldwide, AMS has completed 27 consecutive years of growth, with revenues for 1996 of $812 million.

In Europe, AMS has over 1,200 staff in 13 offices. Revenue growth has averaged 97% in the last six years, making us one of the fastest growing of the top 20 European consultancies.

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parallel INTERNATIONAL

Senior IT Manager

Quoted Independent UK Private Bank

City Based

Our client is a long established quoted independent UK private bank which provides a range of financial services to private and commercial clients. It is currently experiencing a period of business growth to which IT will make a major contribution.

The role includes complete responsibility for the London IT department. This involves managing a small team and formulating and implementing an IT strategy to provide technology based solutions for existing and new business opportunities.

There will also be a requirement to establish IT standards and controls for all areas of the group and to take responsibility for group-wide developments.

You will need a background in financial services and excellent project management skills.

Applicants must have experience of Microsoft Office products, Novell, and general PC and network applications. Some knowledge of banking systems is essential.

The role requires a firm but diplomatic individual with proven management and communication skills and sufficient authority to present effectively at Board level.

In addition you will need the inter-personal skills, clarity and decisiveness to manage a team and build long-term business relationships with senior colleagues throughout the group.

This role will offer an excellent opportunity to use your vision and existing skills to develop an effective and user-focused IT function. The remuneration package will be negotiable reflecting the calibre of the candidate.

Applicants should send their CV to: Justine Brown or Simon Ward, quoting reference JB207 at Parkwell Management Consultants Ltd., 8 Wilfred Street, London SW1E 6PL.
Tel: 0171 630 8000. Fax: 0171 233 5205. Email: Parkwell@Compuserve.com

PARKWELL

CAPITAL MARKETS

This global European Bank is a leader in Fixed Income and Equity markets. Due to expansion within their London offices, areas have beeo identified where additional skills are required. With considerable exposure to various business areas, individuals must be able to contribute technically and willing to learn the business.

Risk Systems Analyst Programmer

This area encompasses projects aimed at monitoring Market Risk, Credit Risk and Collateral Management.

- Strong experience of C
- Good mathematical background
- Unix would be desirable

Bonds Risk Systems A/P

Experienced Analyst Programmers are required to work on the development of a Risk Management application for Bond and Asset Swap Traders. With a strong mathematical background, the ideal candidate would have a genuine interest in hedge products including futures, Bonds and Options.

- VB or C++ is required for this global RAD role
- Experience of a relational database
- The ability to communicate with traders

CIS Analyst Programmer

This global project is an ongoing development of 18 months, utilising leading edge technology. This role will offer considerable exposure to all business areas.

- Visual Basic is essential with the desire to learn Lotus Notes or JAVA
- Experience of using Sybase or NT
- This role would suit an individual looking to build a career within an Investment Bank.

Bond/Repo Trading Systems A/P

Enthusiastic systems professionals are required to maintain and enhance Bond and Repo trading systems worldwide.

- A bulk of the systems are developed in C with embedded SQL
- Native NT application development
- Cross training in Visual C++ & VB

These positions offer considerable growth of personal, technical and business skills through a combination of training and learning on the job.

Huxley Associates
INVESTMENT BANKING
17 St Helens Place, London EC3A 6DE

Contact:	Louise Williams
Tel:	0171 335 0005
Mobile:	0966 276 516
Fax:	0171 335 0008
Email:	lwilliam@huxley.co.uk

IT and Treasury Auditors

Major European investment bank

In excess of £40,000 per annum + substantial bonus

We have been retained to recruit a number of dynamic young qualified accountants for this major and well respected City player to join an established and developing audit function.

We are looking for candidates who offer:

- A recently gained, or anticipated, accountancy qualification.
- Relevant experience of external or internal risk-based IT auditing within the Financial Services sector, and/or exposure to treasury products.

The team is composed of around twenty professional staff, including a balance of technical IT auditors, product specialists, and generalist auditors. All work is undertaken by teams assembled to meet the needs of each specific project; thus there are excellent prospects for early management development.

The bank has recently committed itself to a major IT enhancement covering fully distributed global object oriented systems, electronic commerce, Java, and other leading edge technology. You need not have specific experience in these areas as training will be provided.

To register your interest please call Sean Elliott or Mark Wheatley at Parkwell Management Consultants on 0171-630 8000 or write, enclosing your CV, to 8 Wilfred Street, London, SW1E 6PL. Email: Parkwell@Compuserve.com Alternatively telephone Mark outside office hours on 0171-920 0311.

PARKWELL

Major International Bank

C++ ANALYST PROGRAMMERS

City £35,000 to £50,000 plus investment banking benefits and bonus

Our client is the European investment banking arm of a major international bank with assets in excess of US$300 billion. The Bank has been successfully trading a wide range of instruments including structured debt, FX and equity based derivative products and has developed a reputation as a key adviser on cutting edge risk methodologies to several blue chip institutions and corporate clients.

To ensure the commitment to quality during the expansion of its business activities, the Bank is now seeking to recruit two talented and enthusiastic analyst programmers to join its highly focused development team. With the focus on 'adding value', and involvement in critical projects spanning all areas of the Bank including the front office, these roles are full life-cycle encompassing the design and implementation of a series of new applications and their underlying infrastructures.

Your technical profile must include at least two years' development experience of C++. Any exposure to Visual Basic and SQL would be a distinct advantage. The Bank's technical platforms are contemporary and diverse and include C++, Visual C++, Visual Basic, OLE/OCX, Unix, NT, SQL databases (Sybase, SQL*Server, Oracle), Excel VBA, HTML etc. From a business perspective one of the candidates should have experience of the financial markets gained within an investment bank or a consultancy/software house. Both candidates must have the personal and communication skills to thrive in a demanding, but rewarding environment. They should preferably have a degree in a numerical, but not necessarily mathematical discipline, although the Bank will consider applicants who have the necessary skills by virtue of experience in a financial institution. Successful candidates will be committed, willing to learn about new and complex products and be able to integrate into a highly skilled team, who, due to the demands of the business areas, need to draw on collective strength as well as the expertise of the individuals in the team.

For further information contact Kevin Davey, quoting reference *KDFT115*, on *0171 247 7444*. Alternatively, send your CV to McGregor Boyall Associates, 114 Middlesex Street, London E1 7JH. Fax: 0171 247 7475. Email: kdavey@mcgregor-boyall.co.uk. Or visit our website at www.mcgregor-boyall.co.uk

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Ideally the candidate should possess at least 5 years experience as a systems professional with a general and well rounded knowledge in the UNIX and/or NT environments plus knowledge of storage management, systems management, network management, database management and project management. Must be willing to travel. The candidate must possess excellent interpersonal and communication skills.

Excellent compensation and benefits package. If you are ready for this opportunity then please send CV with salary requirements to:

Phil Evans (pevans@legato.com), Manager of Professional Services (Europe), Legato Systems Inc. (UK), The Asmec Centre, Eagle House, The Ring, Bracknell, Berkshire, England RG12 1HB. Fax: 01344 382059.

Legato Systems, Inc is a software company which develops and markets enterprise-strength storage management software for the protection and control of critical information assets. Our product range includes NetWorker® for NetWare, NetWorker for UNIX, NetWorker for Windows NT, and NetWorker BusinesSuite™. Legato is a worldwide company and have offices in the United States, Canada, England, Germany, France, Sweden, the Netherlands and Australia.

IT Director

Dynamic Marketing Services Agency

c. £55,000 Package + Car + Benefits **West London**

Our client, the UK operation of a multi-billion dollar international marketing services group, has enjoyed consistent profitable growth since its establishment in the mid 1980's. It has established itself as a market leader in its field and has developed an enviable portfolio of 'blue chip' clients.

The effective use of technology complements the creative output of the agency and is key to delivering added value, differentiated services to its discerning client base. To reflect the importance placed on Information Technology for the future development of the business, it has been decided to appoint an IT Director who will have overall responsibility for all IT strategic and operational issues.

Reporting to the UK MD, you will be responsible for the effective and efficient use of technology in delivering the company's broad range of services to its customers. You will use your broad technical awareness of the applications of new internet, intranet and multi-media technologies, to ensure that real business benefits are delivered.

With excellent people and project management experience, you will be used to working in a fast moving, commercial environment, where it's performance is critical to the commercial success of the business. With at least ten years relevant experience, you will be attracted by the opportunity to make your mark in a young, rapidly growing, people oriented company with a commitment to delivering excellence to its clients.

This is a demanding and challenging role that is central to our client's growth strategy. As part of the senior management team, you will play a pivotal role in ensuring their continued success. In return for your professionalism and commitment, you will receive an attractive remuneration and benefits package, which includes a competitive basic salary, bonus opportunities and executive company car.

To apply, please send a CV and covering letter to Harvey Nash Plc, 13 Bruton Street, London W1X 7AH. (Tel: 0171 333 0033, Fax: 0171 333 0032.) Please quote reference number HN2827ST and include current salary details and, where possible, a daytime telephone number. You may also apply via http://taps.com/Harvey_Nash

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For further information on the FTIT section please call Courtney Anderson on +44 (0) 171 873 4095

FTIT

John Kay

The price is right

Concepts of value are useful but best kept for assets where there is no market of willing buyers and sellers

"A cynic", said Oscar Wilde, "knows the price of everything and the value of nothing." But bow does someone less cynical know what value is? And when is there a difference between value and price?

I am not sure whether actuaries are cynics. They value equities by discounting the value of the expected stream of future dividends. The abolition by Gordon Brown, the UK chancellor, of the tax credit reduces that stream by one sixth. Does it really make sense to knock 17 per cent off the value of shares when their price is at an all-time high? There is a well-established, liquid market for shares. That makes it difficult to justify substituting an opinion about value for a price. If the price and the value of an asset differ, why don't you buy or sell it – and go on doing so while the discrepancy persists? If actuaries really have better information about the valoe of securities than the market, why aren't they, and their clients, rich?

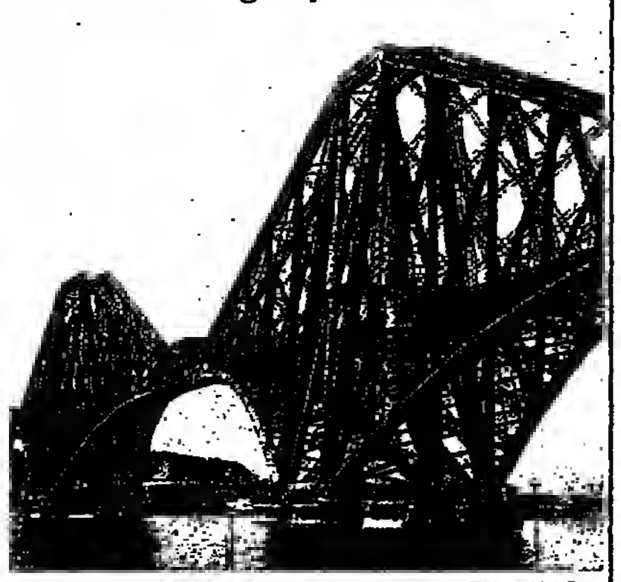
There is a practical defence of actuaries. Market values are volatile. A long-term activity, such as funding pensions, should not be deflected by every market tremor. But this confuses two issues. Do not respond too quickly when market values change. But you do not achieve that by pretending that market values have not changed.

Surveyors often make the same mistake. Have you been told that a building is worth £5m on a willing seller/willing buyer basis, but that in the current state of the property market you could not expect to realise that much for it? This is nonsense on stilts. It could be worth £5m if there were a willing seller and a willing buyer at that price. But it would equally be worth £10m, or £1, if there were willing sellers and willing buyers at these prices. The only price which is of any interest, and the only one which gives any guide to the value of the property, is the one at which there would be a willing seller and a willing buyer.

Like the actuaries, estate agents have been led by sensible objectives to silly results. Properties are idiosyncratic, and it may take some tima for a suitable purchaser to come along. That distinguishes a willing buyer/willing seller valuation from a forced sale. But surveyors use the concept to average out fluctuations in the economic cycle and to make it seem that the value of their clients' portfolios are less volatile than market prices suggest. But once again, if they have better information about value than the price, why don't they use that knowledge to their own advantage?

It is not just buildings that are idiosyncratic. Most business assets have the same characteristic. There are no markets in them, trade occurs rarely if at all, and so there is no price on which to base an estimate of value. You can summon an expert to determine a value: chartered accountants, investment bankers, even brand valuation specialists. But their expertise mostly rests in knowing what answer they gave last time.

> If actuaries really have better information about the value of securities than the market, why aren't they, and their clients, rich?



Robert Harding

The Forth Railway Bridge: would it be built today?

On what do they – could they – base a valuation?

Take the extreme case of idiosyncrasy: an asset for which there is only a single buyer and a single seller. These are the facilities of a broadcaster or a train operating company that has lost its franchise; the assets of a sub-contractor whose plant is designed around the requirements of a single supplier; the use of a computer facility dedicated to a specific function.

In all these cases, yon have a choice of valuation bases. Replacement cost is what it would cost you to build it if it were not there. Often you would not build it if it were not there; the Forth Railway Bridge is an extraordinary feat of engineering, but no one would think of putting it up today. So you also need to think about economic value – what you might expect to earn from it. Every asset has a realisable value – what you would expect to get if you disposed of it to a third party; often for scrap.

None of these concepts corresponds to the price that would be fixed in a transaction for value, although all help determine that price. Nor are any of them equal to the valuation base we see most often: depreciated historic cost.

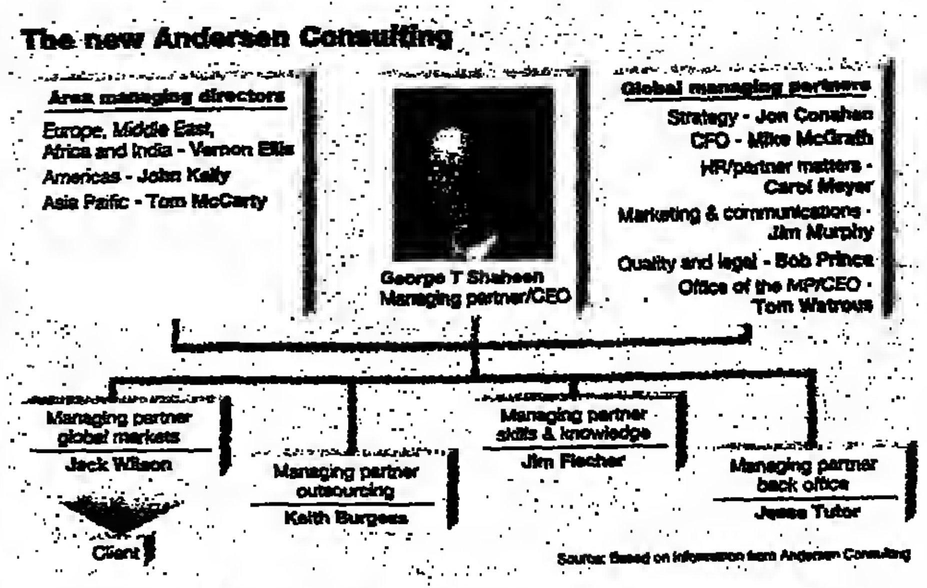
Which of this multiplicity is the right measure of value? It all depends on why you want to know. To know what return is needed to justify new investment in an industry, measure valne at replacement cost. To know what return is needed to keep capacity in an industry, look at realisable value. To judge the performance of the company, turn to economic value and historic cost.

And remember two lessons when experts offer a valuation. If there is a market price, there needs to be a very good explanation of why the value is different. Usually there is not. If someone offers you a valuation without asking the purpose for which his valuation is required, his opinion is not worth listening to.

The author is a director of London Economics and director of the School of Management Studies at Oxford University. This column appears fortnightly.

A reinvention on a global scale

Jim Kelly reports on the new worldwide structure at Andersen Consulting



Source: Based on information from Andersen Consulting

When Andersen Consulting, one of the world's leading management and IT consultants, announced earlier this week a worldwide reorganisation, there was bound to be more than passing interest in the solutions they had chosen to meet the challenge facing most of their clients – the need to globalise.

"In an increasingly integrated global marketplace clients look to consulting firms for world-class knowledge, experience and solutions to help them change to be more successful," said an Andersen internal briefing note. Global companies will be fascinated to know how Andersen's intends to reinvent itself.

The firm's decision to go ahead with change comes at a particularly tricky time for the business – in spite of its seemingly inexorable success, with growth in revenues continuing at around 25 per cent a year.

Andersen Consulting is part of a family at war. It, and its sister firm of accountants and tax specialists at Arthur Andersen, are linked by an umbrella organisation called Andersen Worldwide. Turf wars between the firms over management consultancy have thrown the family into disarray. A final aplit between the firms is always just off the agenda.

But, if anything, Andersen Consulting's decision to go for a new worldwide structure illustrates that it is virtually an independent business already. George Shaheen, its managing partner, used a video link to Andersen Worldwide's interim chief executive, Robert Grafton, to tell him the global shake-up was coming – but that was just a courtesy call.

So how has Andersen Worldwide tried to meet the global challenge? A clearer picture is beginning to emerge. At the moment Shaheen is closeted in offices in California trying to thrash out the details – but the grand plan is described here for the first time outside the firm.

"The key question to ask," says the senior partner of one of Andersen's rivals, "is which profit and loss account is shown to the partners – the power lies where the dollars are. Are they shown the P&L for the country they are in, or is it really global?"

The answer to that question is that Shaheen appears to have bitten the global bullet. In the past, in spite of Andersen's justified reputation of operating internationally, the partners were shown the financial results by geographical area. The new structure, led by Jack Wilson, is based oo global markets – 17 specialised groups like the global communications unit, set up as a pilot two years ago to serve clients in telecommunications.

It is through these units that Andersen meets the clients. In the jargon of the firm "we go to market by industry". This emphasis will be underpinned by showing partners only the profit and loss accounts for these units – not for their countries or regions. Success in the new organisation will be measured by the profitability of global services. Some, although not all, of partners' rewards will be linked to such success.

But Andersen's solution amounts to more than simply swapping markets for geography. Pilot studies in how to organise to meet global demands have shown the firm that geography cannot be discarded. So Andersen's area managing directors, for axample Vernon Ellis in Europe, will make sure business issues on the ground, in his case matters relating to the European Union, are taken fully into account.

And there is a third element made up of skills and knowledge. These – like the iodustry units – will be organised on a global basis. The global industry units will work with clients to find out what skills, or competencies in consultant-speak, are needed in each particular case. Then they will be provided on a global basis through Jim Fischer – in charge of business integration competencies.

One specialist skills area – ontsourcing or "business process management" – is so important and so different it is provided by a separate part of the organisation, led by Keith Burgess. Finally Jesse Tutor heads the global "back office" looking after the organisation's physical assets, while a group of global managing partners looks after Andersen Consulting's strategy, marketing, people and money.

Shaheen oversees what he insists is a virtual organisation without headquarters. While the changes will directly affect up to 50 senior managers he says perhaps only one will have to move office. And the clients should notice only a better aervice. Bnt the changes would give the firm a real jolt – although it has been on the evolutionary path for some time.

The solntions are ambitious and even Andersen Consulting's pride in its ability to get partners to work in a "teaming organisation" may be stretched to make it work. The prize is getting resources to the right place quickly, while maintaining critical mass on the ground in the right places.

Nothing would do Andersen Consulting's brand image more good than for the shake-up to be seen as a aucceas. Change is its business. The problems at Andersen Worldwide threaten to dent the organisation's image of reliable efficiency. If Shaheen can deliver the truly global firm, the spat with Arthur Andersen will look like a sideshow.

ARTS

Music in a mystical vein

Andrew Clark on the work of a maverick Finnish composer

The name may be a monthful, but it has been on everyone's lips in Finland this summer: Einojuhani Rautavaara. The Savonlinna festival premiered his nationalist opera, *Aleksis Kivi*. Kuhmo heard his four quartets and a new string quintet. Sales of a CD featuring his *Angel of Light* symphony have shot past 20,000, an extraordinary number for a contemporary work. Two of his works will receive their UK premiere next season, and Vladimir Ashkenazy has commissioned a piano concerto.

Recognition has come late for Rautavaara. Now aged 68, he has been composing since the early 1950s, when Sibelius recommended him for a scholarship in the US. Until recently, his international reputation was eclipsed by Aulis Sallinen, his junior by seven years, and by young Finnish rationalists like Magnus Lindberg, a former pupil. But popular taste has suddenly caught up with Rautavaara's mystical Romanticism. The time is right for his style.

Rantavaara is a maverick among Finnish composers. His early music was neo-classical, but a period of study with Wladimir Vogel led to a dodecaphonic phase. Since the mid-1970s he has used a synthesis of atyles, the most recognisable of which is the New Age mysticism of his *Angel* series. At the heart of all Rautavaara's output lies a warm Romantic sound-colouring and the easy – sometimes too easy – versatility of bis compositional machinery.

A tall, avuncular figure with a refreshingly ironic viaw of life, Rautavaara defends his wide stylistic spectrum by citing Stravinsky as an example of consistency in diversity. He dismisses claims that he has jumped on the "stream of consciousness" bandwagon, pointing out that he has been composing music in a mystical vein for more than 20 years. Asked why he insists on titles like *Angel of Light*, the source of mnch amusement among colleagues, he says they give him inspiration, "going round and round in my mind like a mantra, until musical energy is built up around them. I don't know how it happens, but it does."

There is not mnch musical energy in *Aleksis Kivi*. The orchestral accompaniment amounts to little more than a lulling carpet of strings, punctuated by eerie clarinet and sci-fi effects on vibraphone. Some of it could pass as synthesiser music for a Moody Blnes album. You could switch off and pick up again after a few minutes, without noticing the difference. Drama is not Rautavaara's forte.

Kivi was the first notable author to write in the Finnish language. He died in 1872 at the age of 38, a disappointed man, but every Finnisb schoolchild is exposed to his plays, poetry and novels. Familiarity with these works and their nationalist subtext is essential to an appreciation of *Aleksis Kivi* – which means that unlike *Vincent*, Rautavaara's widely circulated Van Gogh opera, there is not much future for the new work outside Finland.

It is less an opera, more a psychological fantasy. Kivi's world is seen through the disintegrating mind of the poet, as he ruminates on the dreams of his youth, the barbed criticism of opponents and his bitter sense of isolation. There is a prominent speaking role for Professor Ahlqvist, Kivi's *bête noir*, plus small parts for the young Kivi, his patroness and some folk-stereotypes. Like *Vincent*, Rautavaara wrote *Aleksis Kivi* for Finland's leading baritone, Jorma Hynninen. It is very much a repeat performance, sacrificing the poetic dimension in favour of an all-too-familiar Expressionism.

Savonlinna mounted the production in the underground cavern of the Retretti art centre, an appropriately claustrophobic setting. Vilppn Kiljunen's staging, conducted by Markus Lehtinen and designed by Markku Uimonen, Juha-Pekka Kiljunen and Ilkka Paloniemi, concentrated on essentials. But the unvarying *lento moderato* of the music robbed it of dynamism. *Aleksis Kivi* would work better as a series of concert monologues.

In Kuhmo, Rantavaara revealed himself in a different guise – as a composer of the utmost classical distinction. The Sibelius Quartet played the four quartets in a single programme, and two days later, with the cellist Jan-Erik Gustafsson, gave the premiere of the new string quintet. All the threads of Rautavaara's personality came together. Here were five works spanning 45 years of creativity, with a vein of well-crafted, fine-spun lyricism running through them all.

The first quartet (1952), sweet, spare and neo-classical, is the work of an innocent – but even at 24, Rautavaara knew bow to handle his material. The second (1958) shows a huge stylistic leap forward: his aim, he told the Kuhmo audience, had been to prove that dodecaphony could be "musically meaningful", not dry and pedantic. The result is a masterpiece, matching warmth and intensity to an irrefutable musical logic. The Sibelius Quartet gave an incandescent performance.

The one-movement third quartet (1965) is the weak link in the chain, while the nostalgic fourth (1975) finds Rantavaara in old-fashioned Romantic mood, its dark, delicate colours matched by an appealing astringency. Hearing all four quartets in succession prompted two questions: why has Rautavaara written so little chamber music, a genre that seems perfectly suited to his gifts? And would the new quintet, originally conceived as a quartet, match the quality of its predecessors?

It surpassed them. The fact that Rautavaara's quintet can be mentioned in the same breath as Schubert's is a measure of its quality and depth. It is palpably a work of maturity – spiritual, mellow, sincere and astonishingly beautiful, each of the four movements cast in an unbroken skein. Hints of dodecaphony are camouflaged by autumnal colours and Brahmsian textures, and tha only weakness is a similarity of mood and pace: it needs an ironic scherzo as a point of contrast. I would gladly have submitted to a repeat performance, so it is good naws that Finnish record label Ondine plans to record it.

Composer Einojuhani Rautavaara: popular taste has caught up with his Romantic style

Theatre

Young love doomed

Lovers by Brian Friel contains two short complementary plays: *Winners* and *Losers*. The visiting company Kassiopia is performing *Winners* at the Riverside Studios.

The two plays are about marriage – its hopes and disillusionments. In *Winners* two young lovers, Mag and Joe, are preparing for their final school exams and for their wedding, occasioned by Mag's pregnancy. On a bare set suggesting a hilltop, they talk about their hopes for the future. For the impetuous Mag the sky is the limit, but Joe is more earthbound in his fantasies. His concerns are with his school work and with the academic future he still sees before him, despite his new responsibilities.

The shape of their future marriage and of the disappointments and conflicts to come are plain for us to see. Joe has already learnt how not to listen to women and how to disparage their ideas. We can already see Mag's butterfly mind and freefall flights of fancy being repackaged as chatter and nagging. In Joe's petulant outburst, "You trapped me into it!" and in his subsequent childish hair-pulling, we see the seeds of future violent "domestics"; and in Mag's reinvention and embroidery of the truth of how their marriage came about, we see the start of the lie that will be banded down to the next generation.

At the same time, despite their new guise as parents-to-be, their innocent passion for each other and touching ignorance of the facts of life makes us realise that they are still children. Their subsequent death by drowning seems to fix them forever in a world of sunshine and promises.

Their dialogue is interspersed with information given by an unseen narrator. She tells us of their histories, their families, the search for their bodies and their burial in separate graves. This information is given dispassionately as if it were a police report. In the original text there are two narrators, a man and a woman. It is a shame that the director chose to cut the second narrator, as the reverberations of the original dynamic would have added to the pathos. However, the choice of slightly older performers, Ruth Kavanagh and David Eastman, to play the teenage lovers, was a good one. While they captured the exuberant spirit of youth, their features reminded us constantly of the adults they never became.

If you can brave the heat of Studio Three, this is a chance to see a clear and uncluttered production of one of Friel's earliest works.

Sam Albasini

Lovers runs to August 3 at the Riverside Studios, London W6 (0181-741 2255).

No room here for in-your-face art

Lynn MacRitchie reviews the controversial 'Documenta X' contemporary art exhibition

Leaving behind the pavilions of the Venice Biennale glittering in scorching heat, the art-world caravan of museum directors, curators, gallerists, dealers, collectors and critics swept north and came down to earth with a bump in grey, rain-swept Kassel.

Catherine David, first woman director of *Documenta*, the five yearly survey of contemporary art, was giving no easy rides. David, curator at the Galerie National du Jeu de Paume in Paris, has a knack for putting people's backs up. Journalists hate her because she refuses to answer "stupid" questions. Dealers hate her because they claim there is no art in her *Documenta*, and critics because instead of a catalogue there is an 800 page book of academic essays.

But what of the show, the exhibition whose three year gestation has been one of the most controversial of an always controversial display? Ever since its inception in 1955, *Documenta* has held a special place as the show where the contemporary art world comes to look at itself, and this year, the last *Documenta* of the millennium, was considered particularly significant.

David has long been concerned with relating the world of fine art to that of architecture and anthropology, and indeed with the whole spectrum of intellectual engagement. Filmmakers, architects, anthropologists and philosophers are among the "Hundred Guests" invited to lead discussions on each of the hundred days for which the exhibition traditionally runs.

The most common complaint about this year's *Documenta* was that there was "nothing to see." This was certainly not true in the Kulturbanhof. Here were large displays of work by Helio Oiticica and Michelangelo Pistoletto, and younger artists including Steve McQueen and tha intriguing Matthew Ngui from Singapore, busy cooking "Delicious Poh-Piah" in front of huge colour photocopies of "New Urbanism: Pearl River Delta", atatements by the architect Rem Koolhaas about the development of Asian cities.

Nor at the Fridericianum, where displays included a room devoted to Gerhard Richter's "Atlas" 1962-96, carefully arranged panels of almost 5,000 images – photos, sketches, press clippings – which have formed the bedrock of his work as a painter. Upstairs were Richard Hamilton's "Seven Rooms", coolly entrancing paintings of the interior of his house, set within the fascinating "Typosophic Pavilion", a mini museum linking typography and philosophy created by Hamilton in collaboration with Ecce Bonk. Here, too, the work of architects – 1960s innovators Archigram, Aldo Van Eyck and the Smithsons – was mixed in with photographs by Walker Evans and Robert Adams, and, in a Dan Graham installation, the whole of Jean Luc Godard's "History of the Cinema".

Why all this crossing of categories? Why all this space for embarrassing old radicals from the 1960s and '70s, with their quaint attempts to investigate the nature of art and its place in society? Where were the starry young art tyros? No Damien Hirst, no Chapman Brothers, no cool Brit girls, no Young British Artists at all except their swotty brother Liam Gillick with his "What If? Scenario" installation and their weird sister Siobhan Hapaska, with two sinister mechanised sculptures. What could David be playing at?

Was she conscious of a generational divide as she put the show together? "I am trying to reactivate the debate," she told me, "to enlarge the frame of the art scene by re-evaluating pieces from the past and reconsidering the complexities of aesthetic production . . ." Describing the 1980s as "a disaster area for aesthetic behaviour", she has looked back to the 1960s and '70s and identified artists including Broodthaers and Oiticia among others as sharing "a radical critique of the phenomenon of culture." The inclusion of architects' speculations on the built environment is an attempt to "try to consider aesthetic practices on an anthropological level. I cannot accept the art scene as an autonomous space," she told me.

'Seven Rooms - Passage', one of Richard Hamilton's coolly entrancing paintings of the interior of his house

The resulting mixture of art, film, photography, video and architecture makes it impossible to slip into any one pattern of viewing: assumptions are constantly challenged, sensibilitiea stretched. There is no immanence here, that obsession with self so evident amongst younger artists which David describes as "like compulsive behaviour, almost autistic." The work she has chosen shows its makers conscious of living through and inevitably affecting history.

In the accompanying book, *Politics/Poetics*, David defines her task: to seek a political context for the interpretation of artistic activities at the close of the 20th century. It is the word "political" which seems to stick in so many throats. But *Documenta* has always been political, was founded indeed on the belief that art could be an active force for good in society. By bringing back this concept as the century of the birth of the avant-garde comes to an end, David has forced the art establishment to think again about the possibility that art might not just reflect but also affect the world; something which, as the in-your-face favourites of the moment clamour for attention, has perhaps been in danger of being forgotten.

Documenta X, Kassel, Germany to September 28 (0561-707270). Main sponsors are Dentsche Bahn, Sony Deutschland and Sparkassen-Finanzgruppe along with Binding Branerei, Deutsche Stadte-Reklame GmbH, IBM, SBK Software und Systeme and Volkswagen.

INTERNATIONAL ARTS GUIDE

■ AVIGNON

THEATRE
Avignon Festival
Tel: 33-4-9014 1414
● Amphitryon: by Molière. One of two productions brought by Anatoli Vassiliev as part of a Russian season. Cast includes Valérie Dréville; at the Eglise des Célestins; Jul 25, 26, 27,
● Chambre d'Hôtel dans la Ville de Nn: adapted from Gogol and directed by Valeri Fokine; at the Usine Volponi; Jul 25, 26, 27
● Chant pour la Volga: The Battla nf Stalingrad. Written, directed, designed, and performed with puppets by Rézo Gabriadzé; at the Chapelle des Pénitents Blancs; Jul 25, 26, 27, 28

■ BERLIN

EXHIBITIONS
Museum fur Moderne Kunst, Martin-Gropius-Bau
Tel: 49-30-2548 6714
The Age of Modernism - Art in the Twentieth Century: comprehensive survey which presents the art of this century in four self-contained sections. Beginning with the explosion of Cubism and the crisis of the avant-garde, the exhibition includes works by Picasso, Duchamp and Kandinsky as well as younger and contemporary artists.; to Jul 27

■ LONDON

CONCERTS
BBC Proms, Royal Albert Hall
Tel: 44-171-589 8212
● Sir Peter Maxwell Davies conducts the BBC Philharmonic in tha world premiere of his new work *Sails in St Magnus I*, inspired by his friend the poet George Mackay Brown. Vassily Sinaisky conducts works by Beethoven and Shostakovich. With pianist Stephen Kovacevich; Jul 25
● BBC Philharmonic: conducted by Richard Hickox in works by Brittan, Grainger, Elgar and Jonathan Harvey, the world premiere of whose *Percussion Concerto* is performed with percussionist Evelyn Glennie; Jul 26
● Deborah Warner directs a semi-staged performance of Honegger's *Joan of Arc* at the Stake, with Fiona Shaw in the title role. Libor Pešek conducts the Royal Liverpool Choir and Orchestra. Programme includes works by Satie/Debussy and Poulenc; Jul 27

DANCE
London Coliseum
Tel: 44-171-632 8300
● The Kirov Ballet: Don Quixote; Jul 25, 26
● The Fountain of Bakhchisarai; Jul 28, 29, 30

■ NEW YORK

Lincoln Center Festival 97
Tel: 1-212-875 5030
DANCE
● The Royal Ballet at the Metropolitan Opera House: Ravel Mixed Programme, with choreography by Ashton, Macmillan and Christopher Wheeldon; Jul 25
● Cinderella: revival of Sir Frederick Ashton's ballet, set to Prokofiev's score; Jul 26
● The Prince of tha Pagodas. Music by Benjamin Britten. NY premiere of this three-act ballet, choreographed by Sir Kenneth Macmillan. Darcey Bussell is Princess Rose; Jul 27

OPERA
Palestrina: by Hans Pfitzner: the Metropolitan Opera House is the setting for the New York debut of London's Royal Opera and US premiere of Pfitzner's opera. Tenor Thomas Moser leads a cast of more than 40 in this production, seen at Covent Garden earlier in the year. The conductor is Christian Thielemann; Jul 26

■ ROME

CONCERTS
Accademia Nazionale di Santa Cecilia Tel: 39-6-6880 1044
Orchestra and Choir of the Accademia Nazionale di Santa Cecilia: conducted by Yuri Temirkanov in works by Borodin, Rachmaninov and Prokofiev; with piano soloist Dmitrij Alexeev and contralto Larisa Djadkova; Jul 25

■ SALZBURG

Salzburg Festival
Tel: 43-662-844501
CONCERTS
● Camerata Academica Salzburg: conducted by Sándor Végh in works by Mendelssohn and Beethoven. With violin soloist Joshua Bell; at the Grosses Festspielhaus; Jul 25
● Vienna Philharmonic Orchestra: conducted by Seiji Ozawa in works by Berlioz and Schumann. With mezzo-soprano Susan Graham; at the Grosses Festspielhaus; Jul 26, 27

OPERA
● Die Entführung aus dem Serail: by Mozart. New production. Conducted by Mark Minkowski and directed by François Abou Salem with designs by Francine Gaspar. With the Mozart Orchestra Salzburg and the Konzertvereinigung Wiener Staatsopernchor; at the Residenzhof; Jul 26, 30
● Mitridate Re di Ponto: by Mozart. Conducted by Roger Norrington in a new production directed by Jonathan Miller, with sets by Peter J Davison. Bruce Ford sings the title role. With tha Camerata Academica Salzburg; at tha Kleines Festspielhaus; Jul 27, 29

THEATRE
● Jedermann: by Hugo von Hofmannsthal. Revival of Gernot Friedel's production, designed by Imre Vincze; at the Domplatz; Jul 27, 30
● Libussa: by Franz Grillparzer. New production directed by Peter Stein, with sets by Moidele Bickel. Libussa is played by Dörte Lyssewski; at the Perner-Insel; Jul 25, 26, 28, 29, 30

■ SANTA FE

OPERA
Santa Fe Opera
Tel: 1-505-986 5900
● Semele: new production of Handel's opera, conducted by John Nelson and directed by John Copley. Elizabeth Futral sings the title role; Jul 25
● Ashoka's Dream: world premiere of Peter Lieberson's opera, with a libretto by Douglas Penick. Conducted by Richard Bradshaw, in a production directed by Stephen Wadsworth; Jul 26, 30
● Cosi Fan Tutte: Kenneth Montgomery conducts Mozart's opera, sung in English, in a new production directed by Nicolette Molnar and designed by Bruno Schwengl; Jul 28

■ SCHLESWIG-HOLSTEIN

Music Festival
Tel: 49-431-567080
CONCERTS
● Philharmonie der Nationen: conducted by Justus Frantz in works by Schubert, Grieg and Rachmaninoff; at the Holstenhalle, Neumünster; Jul 26
● Norwegian Chamber Orchestra: conducted by Iona Brown in works by Bach and Nordheim; at the Dom, Meldorf; Jul 27

JAZZ
● Jan Garbarek Group: at the Reithalle, Elmshorn; Jul 25

■ TANGLEWOOD

CONCERTS
Tanglewood Festival
Tel: 1-617-931 2000
● Boston Symphony Orchestra: conducted by André Previn in works by Mozart, Haydn and Ravel, with violin soloist Pamela Frank; the Shed; Jul 25
● Boston Symphony Orchestra: conducted by André Previn in works by by Gould, Copland, Schumann and Gershwin, with clarinet soloist William R. Hudgins; the Shed; Jul 26

■ VERONA

OPERA
Arena di Verona
Tel: 39-45-800 5151
● Aida: by Verdi. Conducted by Nello Santi in a staging by Gianfranco de Bosio, revived by Susy Attendoli; Jul 24, 27, 29
● Carmen: by Bizet. Conducted by David Gimenez, in a staging by Franco Zeffirelli. Tonight Agnes Baltsa and José Carreras recreate their famous double-act
● Macbeth: by Verdi. New production designed by Pier Luigi Pizzi, with choreography by Gheorghe Iancu. Conducted by John Neschling; casts vary; Jul 26, 30

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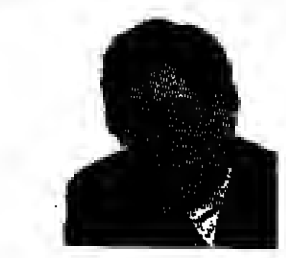

Philip Stephens

An empty golf bag

Gordon Brown is powerless to burst the bubble of UK consumer confidence with higher taxes

Gordon Brown must be quietly fuming with frustration. No one has played on the Whitehall stage these past few weeks with more confidence than Tony Blair's chancellor and confidant. The Bank of England has its independence. A welfare-to-work Bndget has been put in place. Now Mr Brown is scripting the most radical reform of the tax and benefits aystems seen during the lifetime of Beveridge's welfare state.

Yet it could all go horribly wrong. A break with the cycle of boom-and-bust is Mr Brown's raison d'être, stability the New Labour mantra. But the bad habits of the Britisb consumer die hard. So too does sterling's capacity to confound the best-intentioned of chancellors. The economy is booming. The exchange rate is en route to the stratosphere. We have been here before. Bust lurks menacingly around the corner.

It hardly matters wbere the blame lies – with Kenneth Clarke'a refusal to put up interest rates before the general election or with Mr Brown's relnctance to tax the middle classes of middle England after it. In retrospect, I think Mr Brown prepared too well for office. His plans were framed in opposition, many months before the election. The world had cbanged when the time came to put them into practice. Either way, if there is a downturn, we can be sure Mr Blair's government will be blamed.

Perhaps I am too gloomy. A group of learned colleagues, in the company of a aenlor minister, chortled gently this week at my suggestion the economy could be falling into recession by the end of 1998. Mr Brown, I am told, is as yet untroubled by the nightmares about the pound which destroyed the slumber of so many of his predecessors. Self-doubt is not one of this chancellor's weaknesses.

But it is not only the Cassandras who see the danger signs. Look at what is happening on the high street. Retail sales have jumped by 5½ per cent in a year. Demutualisation is raining cash on consumers. The Budget forecast of a 4.5 per cent increase in consumer spending this year looks like serious understatement. It cannot go on. The economy is operating at close to capacity. The case for still higher interest rates is cut and dried.

So it aeems. Until you glance at sterling. The last time it was at DM3 and climbing was back in 1988. Nigel Lawaon, you may recall, was then battling both the markets and Margaret Thatcher in a bid to cap the rate. It was unsustainable, be said. The pound would fall as fast as it was then rising. He was right, of course. That was scant consolation. The Lawson boom joined those of Reginald Maudling and Anthony Barber in the pantheon of post-war economic disasters.

Mr Brown used to have great fun teasing Mr Lawson. Edward Heath bad coined the phrase "a one club-golfer" because of the chancellor'a reliance on interest rates to regulate the economy. Mr Brown popularised it. Now, his own golf bag is empty. The chance to burst the bubble of consumar confidence witb higber taxes bas passed with the Budget. The interest rate club has been presented to the Bank's new monetary committee.

> Lawson's central ambition as chancellor was much the same as Brown's: to devote his energies to structural reform

It is fashionable nowadaya to say that the economy is less vulnerable to sucb swings in the excbange rate: production practices are more flexible. Tell that to the companies facing a collapse in their overseas earnings. We are not talking bere about a short-lived rush of blood to the head. The pound has been heading northwards since late 1995.

It is up by over 35 per cent against the D-Mark. The rise against the dollar is smaller, but overall it is 25 per cent higher. Eddie George, the Bank governor, calls the appreciation irrational. Some understatement.

Mr Brown is powerless. Sterling demands lower interest rates, the domestic economy a tighter squeeze. The echoes from 1988 are inescapable. He could try, I auppose, to talk the pound down. But thet would do no more than expose his impotence. The prospect of co-ordinated action to drive up the D-Mark is likewise slight. Mr Brown says he has set his aights on the long-term, that he will not be blown off course by these temporary squalls. But how temporary?

If comparisons with 1988 are seductive, there is a more telling parallel with the Lawson era. He may be remembered now for the boom, but a fuller version of history tells a more complex story. Mr Lawson's central ambition as chancellor was much the same as Mr Brown's: to set macro-economic management on autopilot and devote his energies to structural reform.

On the fiscal sida, Mr Lawson had his medium term financial strategy; Mr Brown has a five-year deficit reduction programme. Mr Lawson sought to tame inflation with what he called an overarching financial framework, first based on money supply targets, later on the exchange rate. Rules rule: OK? was a favourite catchphrase. Mr Brown agrees. He has opted for an independent Bank – a choice denied to Mr Lawson by Mrs Thatcher.

Mr Lawson, though, found his supply-side radicalism always took second place to tbe unforgiving unpredictability of the financial markets. Sometimes it was a falling exchange rate, sometimes a rising one. Never mind, the pound was forever a malign force.

The present cbancellor has his own grand ambitions. Mr Lawson set his sights on deregulation and privatisation. Mr Brown's are on welfare reform and work incentives. The benefit system is pointing in the wrong direction. Its purpose is to regulate family incomes. He thinks it should be to provide work incentives. He is deadly serious abont merging the tax and benefit systems. If New Labour cannot overhaul the welfare state, Mr Brown will tell you, it is lost.

It may be too if its economic strategy is derailed. The risks are obvious. The Bank may choke off domestic spending with still higher interest rstes just as industry succumbs to slow strangulation by tbe exchange rate. We can be certain the pound will fall at some point. But, as in the late 1980s, by then it may be too late to avoid a recession.

There are other possibilities, some of them benign. And history, of course, never replicates itself. But every cbancellor since Churchill has been haunted by a wayward pound. I have a sneaking feeling that, in a year or two, Europe's single currency may be seen in a somewhat different light in Downing Street.

LETTERS TO THE EDITOR

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Business should join fight against drugs

From Mrs Maria Livanos Cattaui.

Sir, If Martin Wolf is right in describing the production and sale of illegal drugs as a business ("The profit of prohibition", July 22), then it seems logical to mobilise the technical knowledge and management skills of legitimate business in the fight against the traffickers.

This is already happening in the US, where a business anti-smuggling coalition is working closely with the customs authorities in prototype schemes at San Diego, Miami and Laredo, Texas. The intention is that this public-private partnership should eventually cover the entire country.

Similar alliances should be adopted internationally. Companies joining would enforce their own voluntary standards governing packing and shipping practices in collaboration with customs. Participating companies would be encouraged to set up partnership agreements with manufacturing plants, customs brokers, carriers and vendors.

By all accounts, the American experiment is going well. The framework for its international extension already exists in a co-operation agreement concluded last year between the International Chamber of Commerce, representing business worldwide, and the World Customs Organisation. Under thet agreement, business and customs administrations have undertaken to work together to modernise customs procedures.

The ICC's role would be to encourage its thousands of member companies all over the world to implement anti-drug smuggling programmes in partnership with customs. The need becomes more urgent in view of the growing complexity of international trade. The lengthening chain from raw materials to finished products and the growing numbers of components of differing origins in goods traded across borders are among factors helping smugglers to pass contraband undetected.

Trade is inhibited and company reputations suffer when drugs are infiltrated into legitimate cargoes. As good corporate citizens, companies have a direct interest in helping to protect the communities in which they operate from the scourge of drug addiction.

Maria Livanos Cattaui,
secretary general,
International Chamber of Commerce,
38, Cours Albert 1er,
Paris 75008,
France

Differing views on Nato in Bosnia

From Mr Hrair Balian.

Sir, Mr Robin Davies (Personal View: "For credibility's sake", July 22) was identified as "an economist working with the International Crisis Group in Sarajevo". This is not the case.

Mr Davies was engaged earlier this year by the International Crisis Group in Sarajevo as an independent consultant, and since then he has not been associated with ICG. Moreover, Mr Davies'a article contains opinions thet do not correspond with the analysis and conclusions of the ICG.

In particular, Mr Davies's comment about the Nato-led forces in Bosnia are no longer applicable given the latest developments. Moreover, we disagree that "war criminals should be targeted whenever there is reasonably conclusive evidence that they continue to exercise power". Suspects indicted for war crimes must be arrested and surrendered to The Hague even if they no longer exercise power.

As for Mr Davies's analysis regarding "economic conditionality", while it is a powerful and viable leverage to enforce compliance with commitments undertaken at Dayton, not all grants and loans for Bosnia's reconstruction have been disbursed to date with no conditions attached, and the impact of "economic conditionality" may not be as immediate as suggested.

Hrair Balian,
director,
ICG Bosnia Project,
Obala Kulina Bana 29,
Sarajevo BiH, Bosnia

Not swayed over policy on prisons

From Mr Jack Straw MP.

Sir, Philip Stephens' thoughtful article about prison numbers was marred by a wholly inaccurate claim that in opposition I had "mocked" my predecessor's decision to use a ship as a prison ("Labour in the dock", July 18). The reverse is the case. Far from being "swayed by pre-election populism", it was with my agreement that the previous government went ahead with this element of its plan to cope with the rising prison population.

Again, contrary to the impression given by Mr Stephens, we did anticipate the fact of great challenges in the running of the prison service. We said that "the prison service now faces serious financial problems", and that "we will audit the resource availabla".

What we did not anticipate was how far the official pre-election projections underestimated the actual rise in the prison population since May. In April, the population was predicted to have risen by now by 900. In fact, it has risen by 2,400. It is this sharp and unprecedented increase, neither predicted nor anticipated by the previous government, which places the service under such pressure.

Jack Straw,
home secretary,
Home Office,
Queen Anna'a Gate,
London SW1H 9AT, UK

UK should play game

From Mr Tjerk E. Westerterp.

Sir, I was very interested to read the criteria the UK government thinks must be be complied with before the country could join Emu. In brief, for the UK to join Emn should be in the country's national interest.

I understand this argument. May I then take it thet the UK government and the British parliament will accept that the other 14 nations of the European Union will decide, once the UK is ready to join Emu, whether the UK's decision will be in the national interest of each of its 14 partners in the EU and, in the common interest of the EU as a whole? What if the decision of only one of the 14 partners should be negative?

Are the British still understood to "play cricket".

Tjerk E. Westerterp,
(former Dutch secretary of state for foreign affairs, signatory of the Treaty for the UK accession to the European Community),
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The Netherlands

Europa • Dominique Moïsi

The French contradiction

By taking a tougher attitude towards the US, France may endanger its European goal

French elites are dominated by two obsessions: the Maastricht criteria and the US. France wants to respect the first and to be respected by the second. Both objectives seem difficult to achieve, but the latter, maintaining a policy towards the US involving a mixture of defiance and confrontation, is mora difficult than meeting the single currency criteria.

France's obsession with the US is nothing new, but it has been given a new lease of life lately. At the very moment when the end of the cold war has exposed as mere illusion France's pretence to be in the same category as the US in terms of power, Washington's behaviour – regularly combining aggression over trade with diplomatic unilateralism – has provoked a mixture of frustration and resentment in the French.

On both sides of the Atlantic, domestic political factors have had a negative inflnence. in tha US the nationalist mood of Congress has reinforced the administration's tendency to act in its own self-interest. In France, the competition between the presidant and governmant has reinforced a hardening of France's position towards the US. How could a Gaullist president appear to be "soft" while a Socialist government was a model of firmness?

In its attempt to define a credible strategy towards the US, France is faced with an important contradiction. In security terms, Europe cannot be Europe without the US, a reality acknowledged by the French themselves.

In economic and trade terms, however, Europe can only be Europe through a mixture of co-operation and rivalry with tha US. Here lies the problem: France's dream of speeding up the difficult process of creating a more integrated Europe by provoking a crisis with Washington remains a nightmare for most Europeans. They do not want to have to choose between Paris and Washington, even though they may be frustrated by US behaviour.

France's recent tactics and strategy, therefore, may appear to harm – if not contradict – its proclaimed goals.

The failure of Paris and Washington to reach a compromise on the Europeanisation of Nato, which would have allowed a resumption of France's full participation in tha integrated military alliance, was the result of bad diplomacy on both sides. The French asked the wrong question and the Americans gave the wrong answer. The French were probably too ambitious in asking for the southern regional command, and the Americans too evasive in their initial response: the perfect conditions for a diplomatic failure.

At the Madrid summit the Americans paid lip service to the French request for an enlargement of Nato that would have inclnded Romania and Slovenia, along with the three central European countries – Hungary, the Czech Republic and Poland – approved by Washington. France's insistence on the inclusion of Romania was largely based on the French government's wisb to balance the German influence in central Europe with a Francophile eastern European country.

By giving up its goal, for now at least, to take part in the recreation of Nato, is France abandoning its previous strategy of "more Nato today as the condition for more Europe tomorrow"?

If France wishes to contribute to the creation of a Europe that is truly autonomous in the area of security, the first condition is that it has to move closer to the security options of its main European partners – that is, to be a full partner within the military structure of the Nato alliance. However, discouraged by the lack of flexibility in Washington or prevented from pursuing rapprochement for domestic reasons, the French have backed down on their earlier strategy.

There is another interpretation of the French attitude. If the French government, disappointed by the lack of progress in Europe on foreign policy and security matters, had reached the conclnsion that there would not be "more Europe tomorrow" with regard to security and defence – at least in the foreseeable future – why ahould France today pay a price to the alliance?

Transatlantic tension: Chirac in front of the US flag Reuters

If such an attitude exists, it reflects a false realism and short-term cynicism. It is only through Europe that France can stand up to the US, and Paris can only build coalitions at a European level if it displays European allegiance rather than traditional French aingularity. France will be listened to only if it speaks convincingly in the name of Europe.

If France takes its European ambitions seriously, it cannot pursne a policy of "splendid isolation" toward the alliance which would place the country on the periphery somewhere between Russia and the Nato members.

Nor can it go on with a policy of confrontation ancouraged by the tough Washington dialogue. in the same way that the US has defined a policy of "critical engagement" with China, France and Europe should build a policy of "constructive criticism" with regard to Washington. There are many areas in the world wbere the US would be more than happy to leave the initiatives to the Europeans, for a combination of geographical, historical or cultural reasons.

Following the example of the General Agreement on Tariffs and Trade negotiations – where a strong and united Europe auccessfully struck a fair deal with the US – or the recent compromise between the European Commisaion and Boeing/McDonnell Douglas, Europe must define its areas of comparative advantage in advance. Such a policy would imply a different French attitude towards its European partners.

Would it be ao "un-French" to expect a policy from Paris that would be at the same time more modest, flexible and patient? Or is the French national character incompatible with these qualities? What is at stake is the slow creation of an integrated Europe that would be able to work with the US as well as against it. Of course, it takes two to tango and the US has to play its part too.

The author is deputy director of the Paris-based Institut Français des Relations Internationales and editor of Politique Etrangère. He writes here in a personal capacity

هكذا من الأصل

Jospin recruits 'wise people'

COMMENT & ANALYSIS

FINANCIAL TIMES

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Friday July 25 1997

The Bosnia problem

Bosnia is not just yesterday's problem. It is tempting to succumb to attention fatigue in relation to this Balkan crisis spot. In the absence of constant lurid headlines and TV pictures people may imagine that the very act of signing the Dayton peace accords somehow produced stability in the former Yugoslav republic.

Not so. Not only is that not true now: the situation could get far worse in a year's time when the probable withdrawal of the US contingent is likely to prompt a pull-out of most other peacekeeping troops in the Nato-led Stabilisation Force (SFOR). A revival of war would then bring to nought the major investment which Nato has made in Bosnia and on which the western alliance has since Dayton rebuilt its cohesion. A fiasco in Bosnia in 1998 could also give US senators second thoughts about enlarging Nato. To avoid such a fiasco, the coming 12 months therefore need to be put to the best possible use.

The present de facto partition of Bosnia into three ethnic communities (or two political entities if the Moslem-Croat federation is counted as one) is unstable. In particular, the Moslems, the biggest of the communities and since Dayton rearmed, might reckon they would have little to lose by taking to the field again.

Prewar Bosnia cannot be recreated. The aim of Dayton is to stitch the communities back together with some common institutions and policies, giving them a stake in peace and a means of breaking down mistrust.

Mistrust, however, still runs very deep. Last year's elections have kept most of the respective war leaders in place. More important, most of the war criminals indicted by the Hague tribunal are still at large. It is hardly surprising that few of the 750,000 displaced people inside Bosnia have returned home. This is why the effort to get war criminals to surrender for trial – voluntarily if possible, involuntarily if need be – must continue.

The new collective institutions, too, are a joke, only meeting to present an occasional façade to outsiders or when foreign aid is on the agenda. In May Nato tried to jog the process on, setting out a timetable for the nitty-gritty of closer co-operation between Bosnia's communities – on military data, appointing ambassadors, opening borders, redesigning flags and reconnecting the telephone system. Two months later, progress has been pitiful.

The biggest block to progress lies in the Bosnian Serb republic, which is increasingly split – geographically and politically – between President Biljana Plavsic in Banja Luka and the coterie in Pale led by war crime suspect Mr Radovan Karadzic. While hardly a Dayton dove, Mrs Plavsic seems to have an increasing local constituency, anxious to rebuild their city, pushing her towards international co-operation.

This is worth exploiting. The UK foreign secretary, Mr Robin Cook, is to visit Mrs Plavsic on his Bosnia trip next week, and this week the European Union, which has given almost no aid to the Bosnian Serbs, suggested channelling aid to Banja Luka. It may be that at last some Serbs are emerging who are susceptible to the carrot of aid, if not the stick of criticism.

Asian turmoil

Some outbursts from Dr Mahathir Mohamad are best taken with a shovel of salt. Earlier this week the Malaysian prime minister accused Mr George Soros, the US financier, of leading a campaign to impoverish poor countries. Opening the Association of South East Asian Nations summit in Kuala Lumpur yesterday, he widened the attack to all the "anarchists, self-serving rogues and international brigandage" of the financial markets. Dr Mahathir's energies would be better employed in making the case for economic reform to his Asean partners.

The present bout of currency turmoil was set off by the depreciation of the Thai baht, followed by the Philippine peso. The chief causes were structural weaknesses, rather than any international conspiracy.

Thailand had combined a credit bubble, growing bad debt, and a large current account deficit with an unsustainable dollar peg. If the Thai authorities had taken the opportunity to start reforming tha financial sector, the markets would have obviously done them a favour. Unfortunately, there has been little progress so far. The baht's continued slide reflects the markets' resulting concern.

Malaysia and Indonesia have sensibly allowed a greater degree of exchange rate flexibility and their economies are in a healthier state. The fact that both have come under attack reflects contagion as much as any underlying problem. This may be irritating for Dr Mahathir, but it is their current account deficits that leave them exposed. The threat of controls on capital flows might exacerbate the instability.

Instead of indulging in rhetoric, Mr Mahathir should take calmer counsel. This is unlikely to be the start of a serious crisis of confidence in Asian countries, which have stronger fiscal positions, higher savings, more manageable debt, and faster growth than all Latin American ones but Chile. As Mr Stanley Fischer, deputy managing director of the International Monetary Fund, rightly pointed out this week, the underlying adjustments needed in the Asian economies are far lesa onerous than in Mexico in 1994.

Instead of sabre-rattling, the affected governments should introduce the necessary macro-economic adjustments and structural reforms forthwith. They can then only wait for tha return of confidence and stable economic growth.

A good bargain

Now it is up to the Scottish people. The government's devolution white paper proposes a new constitutional bargain between England and Scotland. The provision for a parliament in Edinburgh is as far-reaching as any constitutional change this century. The aim is not to undermine the 300-year-old Act of Union between the two countries but rather to update it.

It would be foolish to pretend that this will be an enterprise without pitfalls. Nor, if tha parliament is established as planned in 1999, that there will not be conflict between Westminster and Edinburgh. The UK has become accustomed to unitary government. It will take some time for it to come to terms with decentralisation.

So there will be power struggles. By choosing to specify the powers reserved to Westminster rather than, as during the abortive attempt at devolution during the 1970s specifying the new parliament's powers in every detail, room has been left for troublesome shifts in the boundary between the two institutions.

The white paper's less-than-lucid prose on the new parliament's tax-varying authority also heralds complex arguments ahead – though it wisely exempts savings and dividend income from the devolved power. Still more intricate complications could arise from the interaction of a UK-wide social security system and Scottish autonomy in local government.

To point up such problems, however, is not to say, as do most of the critics of devolution, that the new parliament would put Scotland on the road to independence. In fact the white paper has a distinctly unionist flavour. Sovereignty devolved by Westminster, it stresses, is sovereignty retained. And from the outset the levers of economic management, defence, foreign and European policy will remain in UK hands.

Mr Blair's decision to cut the number of MPs that Scotland sends to Westminster carries a more important message: the new deal must be fair to England as well as to Scotland. That Labour will be the big loser from such a move also underlines Mr Blair's confidence that his party can win enough votes in England to retain power at Westminster. Doubtless there will be amendments to be made in the devolution legislation. But overall, this is a good bargain. It is hard to see why Scotland would reject it in September's referendum.

Chinks in the fortress

Japanese banks fear they will be swamped by foreign competition, but their concerns are overblown, says **Gillian Tett**

Ask a Japanese banker about the country's plans for "Big Bang" financial deregulation and the conversation may turn to tennis.

As Big Bang looms, some Japanese are drawing a parallel between Japanese financial markets and the famous British lawn tennis tournament at Wimbledon. The 1986 British Big Bang reforms, so the analogy goes, made London a leading financial centre. But it turned the City into the financial equivalent of Wimbledon: a British-staged tournament where British players struggle to compete.

Japan is now planning its own Big Bang to make its markets globally competitive, but some are concerned that it will face a foreign invasion – and end up seeing foreigners scooping up the financial prizes.

Foreign competitors are certainly gathering. Last week Swiss Bank Corporation announced a strategic alliance with Japan's Long Term Credit Bank. SBC's Japanese investment banking operations will merge with LTCB's securities affiliate in the first deal of its type.

A few days later the US group Smith Barney announced a more modest joint venture with Nikko, Japan's third largest securities company. Bankers Trust of the US and Barclays, the UK bank, have also started collaborating with Japanese partners. Dozens of other western companies are now scrambling to boost their presence.

"We see foreigners coming here now," says a senior Japanese banker. "And so of course we are wondering if this means we will face a Wimbledon scenario."

Such fears are overblown. Though Big Bang is certainly attracting new foreign groups to Japan, few are likely to find it an easy ride. Japanese banks are unlikely to lose their market share without a fight.

"Recent deals like the SBC-LTCB one provide signs of the modernisation under way in Japan," says Mr Thierry Porté, president of US investment bank Morgan Stanley. "But there is a danger that [foreign] groups are underestimating tha degree of difficulty in operating here and the pace at which certain things will change."

Recent history provides a reason for caution. Until the 1980s, foreign financial groups were largely excluded. The financial system set up in the post-war period was built around the national goal of channelling savings to rebuild domestic industry. Japanese banks maintained tight links with business through cross-shareholdings and competition was stifled though intense regulation.

In the 1980s, some chinks appeared in this fortress. Western companies were allowed to take seats on the Tokyo Stock Exchange and over a dozen rushed in to build up cross-border investment banking operations. These businesses expanded during the 1980s, but some later scaled back their ambitions when the bubble burst and profits were squeezed.

Further change is afoot. Foreign brokerages have recently increased their business on the Tokyo stock exchange: in June they accounted for about 27.4 per cent of the market, 10 percentage points higher than a year ago. Foreign fund managers have benefited from the recent relaxation of some pension fund rules. Though they handle a mere 3 per cent of all local pension fund money, last year they doubled the amount of funds under management to Y7,270bn ($63,217m).

Big Bang will open the door to foreign entrants still further. Over the next five years, the government plans to remove a layer of financial regulations in an effort to spur competition. Although the proposed reforms do not make any concrete pledges about foreign market access, they should lead to opportunities for non-Japanese groups.

A growing number of Japanese officials accept that greater foreign penetration is an inevitable – albeit to them unattractive – cost of making Tokyo more competitive.

The SBC alliance is instructive. If all the planned elements of the SBC-LTCB deal are put into place – including a projected cross-shareholding and the raising of fresh capital by LTCB – then SBC could end up with about 7 per cent of LTCB's shares. This would be the highest stake a foreign group has owned in a big bank.

"This shows that the Ministry of Finance is now prepared to tolerate a foreign group taking a large stake in a Japanese bank," says Mr Brian Waterhouse of HSBC James Capel.

Big Bang will also play to the competitive strengths of foreign groups. Japan's arcane regulations have stifled the development of many sophisticated financial products, such as over-the-counter derivatives and advanced forms of mutual funds. The government now wants to introduce these as part of its deregulation plan, but most Japanese companies lack the skills to offer such complex products.

In theory, this could create a huge business opportunity for foreign groups. Most foreign financial business has been of a cross-border nature until now. But Big Bang could allow foreign companies to win new domestic corporate clients.

Goldman Sachs, for example, is one of many banks now eyeing the securitisation market. Foreign groups may also be able to tap into Japan's estimated Y1,200,000 million worth of personal assets.

Fidelity of the US is also keen to sell mutual funds to Japanese retail clients.

To crack the market, foreign groups need to solve ona fundamental problem: how to reach Japanese corporate and domestic clients. They have three options.

One is to operate independently. This is the strategy that some foreign groups have used successfully. Foreign fund managers, such as Schroders and Mercury Asset Management, have built up their Japanese corporate pension fund business largely on their own.

But operating independently is not easy. In the retail sector, building an effective independent distribution network would be costly. In the corporate sector, most Japanese companies are already tightly intertwined in long-standing relationships with Japanese banks and brokers. Foreign entrants could struggle to wrestle business away from their Japanese rivals.

"Tokyo is very different from London," says Mr Hideo Ishihara, chairman of Goldman Sachs in Japan. "London is a cross-border market, but Tokyo is a national and domestic market. I do not think you will see Wimbledon scenario here."

An alternative option for a foreign group might be to purchase a Japanese financial group, along with its client base. Some companies have tried this on a small scale: GE Capital, the US financial services group, has bought two small local consumer credit companies.

But purchasing a big Japanese bank or broker, many of which are over-staffed and weighed down with bad loans, would be a daunting proposition. Many are also prohibitively expensive. Though LTCB is one of the cheaper big Japanese banks, purchasing 7 per cent of its shares could cost SBC around $850m at last week's prices.

SBC says it has no intention of purchasing the whole of LTCB. But some of SBC's rivals question how even this limited venture will be made to pay. And buying an entire bank would be even harder to justify to Anglo-Saxon-style shareholders. As one western banker says: "Japan is not the easy profit ride it might seem. The payback period on any investment will be very long."

This leaves most foreign groups looking at a third option: forming loose alliances or joint ventures with local groups. The idea of teaming up a Japanese company's distribution network with the financial skills of western groups has an attractive business logic.

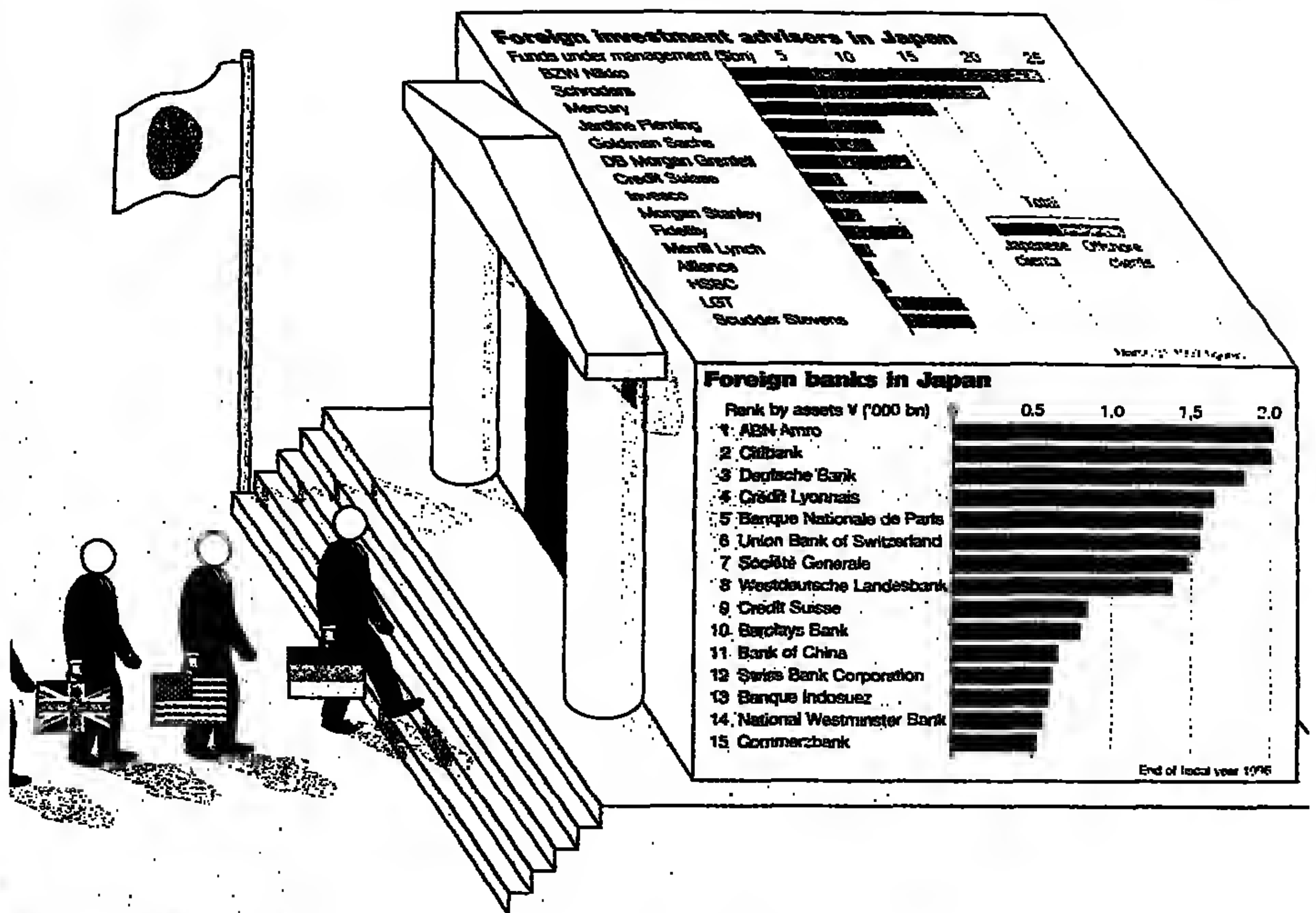
But even this route is not simple. Foreign groups have attempted loose alliances with Japanese partners over the past decade, such as Fidelity's collaboration with Mitsubishi Bank. Few have been entirely successful, partly because Japanese and western management style is sharply different.

"Tie-ups are very difficult to manage," says one Japanese banker. "The problem is that if you have a disagreement no one has ultimate responsibility."

The current climate creates an added reason for distrust. Many Japanese groups fear that western partners may use alliances simply to poach their best clients. Some western bankers, by contrast, suspect the Japanese want to use alliances to steal their financial expertise.

"Some Japanese companies seem to want to use alliances as a short-term tactic to learn our skills to compete with us later," says a European fund manager. "It's a bit like the Japanese manufacturers a few decades ago."

These problems will not halt the flurry of alliances with foreign banks. Neither will they prevent some foreign groups from carving out profitable business niches as a result of Big Bang. But the likelihood of foreign banks making a clean sweep of the financial prizes is slimmer than the chance of a British tennis player winning Wimbledon.



Sources: Cumby & Company, JSIAA, JITA, KPMG

Foreign securities firms

Recurring profit/loss for April 1996–March 1997

Company	¥m
Morgan Stanley	8,171
Merrill Lynch	7,444
JP Morgan	5,225
UBS	4,967
SBC Warburg	3,222
Chase	1,671
Paribas	1,294
Crédit Lyonnais	849
Salomon Brothers	849
Indosuez Capital	293
Citicorp	140
Westdeutsche LB	16
Smith Barney	8
Bear Stearns	-35
CS First Boston	-62

NB Some companies did not agree to have figures published
Source: Company data

· OBSERVER ·

Aids aide decamps

■ Japan's health ministry still can't seem to get a grip on its Aids policy, after weathering the scandal over its failure to stop distribution of HIV-contaminated blood products in the late 1980s – more than 2,000 haemophiliacs became infected.

The ministry has now had to fire Akira Nakajima as chairman of the government's main advisory panel on Aids after his extraordinary performance at a panel discussion on a proposal to provide free medical care for terminal Aids patients.

"Spending public money on Aids treatment is like throwing money into the garbage," Nakajima, a professor at one of Japan's top medical schools told the audience, including many sufferers. As colleagues tried to shut him up, he went on: "Aids treatment is extremely expensive. It's the responsibility of Aids sufferers to stop further spread of the virus."

The ministry hasn't said whether Nakajima would keep his other government advisory job, as chairman of a panel on assistance to the handicapped, but Japan's media doesn't seem in the mood to let officials off the hook. In a front-page commentary, leading newspaper Asahi Shimbun questioned the ministry's whole attitude to sufferers. "The case is rather symbolic," it fumed. "Aids patients often face cold eyes."

Asean values

■ Philippines undersecretary for foreign affairs Rodolfo Severino is likely to bring some much-needed vigour to the Association of Southeast Asian Nations when he becomes its secretary-general next year.

Chosen by Asean foreign ministers yesterday, Severino, 61, a career ministry official, replaces Ajit Singh, a Malaysian known better for his skills as a golfer than an administrator. Admittedly, golf is Asean's official sport, but the Jakarta-based Asean secretariat was a colourless institution under Singh's five-year tenure. He failed to beef up its economic role while trade matters grew in importance, and was ineffective in dealing with the media as more international interest was focused on Asean.

Severino on the other hand is a skilled handler – some would say manipulator – of the media. He also knows how to liven up a bureaucracy: as consul-general in Houston more than a decade ago he led a rebellion of Filipino diplomats against the dictator Ferdinand Marcos.

And he knows one of Asean's most pressing problems inside out. In addition to being responsible for Asean affairs at the Filipino foreign ministry, he's been point man in his government's conflict with China in the South China Sea.

Arnault's about

■ LVMH boss Bernard Arnault was to an unusual position for a captain of French industry yesterday – preaching to London fund managers on the merits of shareholder value. He was touring City institutions as part of his campaign to block the GrandMet-Guinness merger.

The austere Arnault is a graduate of the swanky Ecole Polytechnique, though not many of his *grande école* classmates cut their commercial teeth pedding holiday homes in Florida. Thirteen years ago, the French government picked the young, unknown property developer to rescue Boussac textiles – an unlikely and nearly bankrupt mix of Peaudouce nappies and Dior frocks.

The friendship of establishment figures like Lazard Frères fixer Antoine Bernheim has helped Arnault along the way – enabling him to get his foot in the door at LVMH in the first place. But, all in all, Arnault, now 48, can claim to have got to the top through flair rather than patronage.

With their French adversary stealing their Anglo-Saxon clothes, it'll be interesting to see how GrandMet and Guinness respond. Francophile GrandMet chairman George Bull has one unexpected card up his sleeve; his mother was a member of the Hennessy cognac dynasty.

Squeezed in

■ Another California marvel has won international recognition. The Orange Crush freeway interchange just south of Los Angeles has entered the Guinness Book of Records as the world's most complex piece of road. It's a place of fumes and frustration where three busy freeways converge in a blur of 66 lanes woven on and around a jumble of 13 elevated sections and bridges, negotiated by an estimated 630,000 cars, trucks and buses a day.

"It's a great accomplishment," said the state transport authority. Whether it meant getting into the book or out of the junction wasn't made clear.

Close harmony

■ French finance minister Dominique Strauss-Kahn and his German counterpart Theo Waigel meet at Bayreuth today for some high policy and grand opera. Observer wonders what the tenor of their talks will be.

The Financial Times

100 years ago

Bucket-Shop Firms
It is very significant that the representatives of bucket-shop firms are generally "out" and leave notices attached to the doors of their offices to the effect that messages or letters should be left in the letter-box. Two of these new firms to which we have recently called attention are of this retiring disposition. No doubt they were both absent manipulating the markets very hard; but speculating, or pretending to speculate, with other people's money ought surely to pay them well enough to enable them to keep an office-boy apiece.

50 years ago

British Film Quotas
An amendment of the Cinematograph Act is expected during the next Parliamentary session. The object will be to provide inducement for the production of a larger number of British films. British picture theatres are obliged to rent British films up to a certain percentage of the total length of the films shown. It is assumed quotas will no longer refer to the length of films rented, but to their cost of production. Owing to the high cost of American films, this practice should secure for good British films a high percentage of exhibiting time.

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Troops sent in after bitter by-election

Five ANC members killed in South Africa

By Roger Matthews in Johannesburg

Army units and police were drafted in to South Africa's KwaZulu-Natal province yesterday following an upsurge of political violence in which five members of the African National Congress were murdered.

The dead, all of whom were sbot through the head, included two ANC councillors who had been elected in a bitterly fought by-election on Sunday. The killings are e setback for rising hopes of a solution to the conflict which has affected the province for more than 15 years.

Hundreds of angry ANC demonstrators marched yesterday to police beadquarters at Richmond calling for action against the security forces. This followed accusations by ANC leaders that "third force" units within the police had carried out the killings.

In the past the ANC has linked "third force" activities with the Inkatha Freedom party, the mainly Zulu party with a majority in the provincial parliament and beaded by Mr Mangosuthu Buthelezi. The ANC said police bad been ordered to withdraw less than an hour before the attack.

The murders also cast a shadow over efforts to create an opposition party to challenge the ANC in the 1999 general election. The Richmond by-election, in which five seats were contested, had been called after the ANC expelled Mr Sifiso Nkabinde, the local party leader, for being a police spy during the apartheid era. Mr Nkabinda's expulsion triggered resignations by nine other ANC councillors. One, who refused to resign, was murdered in May.

Mr Nkabinde, and those who quit in sympathy, later joined the new opposition group headed by Mr Bantu Holomisa, a former deputy minister and military leader of the old Transkei homeland, who was also expelled from the ANC last year. Mr Holomisa is planning to join forces with Mr Roelf Meyer, former secretary general of Mr F W da Klerk's National party. They will launch a party this year in what could be the most important political realignment since the 1994 general election.

Tha Richmond by-election, the first electoral test for Mr Holomisa's National Consultative Forum, resulted in an overwhelming victory for the ANC candidates, among them two of the murdered men. The ANC hailed the win as a triumph and said it demonstrated that Mr Holomisa's organisation existed "in the media, but not in reality". A party statement said the vote was "a defeat for political backwardness and thuggery".

Mr Meyer, who earned praise from President Nelson Mandela for his role in producing the country's new constitution, said yesterday he would never serve in a political movement which included perpetrators of violence.

Chernomyrdin urges curbs on Russian monopolies

By Chrystia Freeland in Moscow

Mr Victor Chernomyrdin, the Russian prime minister often viewed as the grey patron of the country's Soviet-era industrial giants, urged his cabinet yesterday to pursue a bold reformist programme.

The former Soviet enterprise director called on ministers to restrict the power of Russia'a natural monopolies, force insolvent companies into bankruptcy and create a more favourable environment for small business development.

To ordinary Russians, grown cynical of official promises after a decade of nearly unremitting economic decline, Mr Chernomyrdin's promises are unlikely to soond convincing. But his radical speecb is the clearest public signal yet that, at least on the surface, be has been won over to the market vision of Mr Anatoly Chubais and Mr Boris Nemtsov, his two young reformist deputies.

His new enthusiasm for the market is an important victory for the reform camp, which has devoted much of its energy in the past few months to curbing the power of Gazprom, Russia's natural gas monopolist, which was once run by the prime minister and had benefited from his support.

Mr Cbernomyrdin did not flinch from inclnding the once sacrosanct gas producer in the list of companies that must be exposed to competition. "We all know that any market system is based on competition," be said. "The purpose of all our activities is to develop competition in the sectors of the natural monopolists."

The prime minister – sometimes painted as a behind-the-scenes adversary of Russla's more radical reformers – also scolded Mr Pyotr Mostovoi, bead of the federal bankruptcy agency, and Mr Alfred Kokh, his privatisation chief, for not pursuing cbange boldly enough in tbese sensitive areas.

While some observers dismissed his apparent market conversion as a political ploy meant to disguise the continued immense power of Russia's entrencbed Soviet-era bureaucrats and industrial bosses, his forceful call for tough reforms is a sign of the new political ethos which has taken hold of the country at the highest levels. Setting the tone is President Boris Yeltsin, who continues to dominate the country's political life even as he bolidays in the provinces.

Mr Yeltsin, who has strongly backed the two young deputy prime ministers, this week signed a series of reformist decrees, including measures aimed at alleviating chronic delays in tha payment of state wages, clamping down on tax-evaders and liberalising gold exports.

Mr Cbernomyrdin's increased entbusiasm for reforms may also be motivated by the growing consensus among economists that Russia is at a turning point between growth and stagnation.

Mobile phones boost Ericsson shares

Continued from Page 1

boosted earnings by about SKr500m. Group sales were SKr72.2bn, against SKr50bn. Order bookings rose from SKr63.3bn to SKr87.8bn. Earnings per share increased from SKr3.06 to SKr4.23. Turnover in the mobile systems division, whicb supplies the infrastructure for cellular services, rose from SKr23.5bn to SKr30.1bn.

Sales at the Infocom Systems division, created last year by the merger of Ericsson's core fixed network systems operations with data communications and multimedia networks, rose from SKr15.9bn to SKr21.5bn. Mr Ramqvist said profitability in the division remained unsatisfactory as it had only managed to break even in the first half. However be expected it to post a full-year profit.

Research finds free range hens red in beak and claw

By Maggie Urry in London

The life of a battery hen may not be a happy one, but free range hens suffer too, according to a report on the welfare of laying hens by the UK Farm Animal Welfare Council.

Battery cages "arguably cause hens frustration and suffering" and should be phased out over the long term, the report says. But that should not happen until welfare problems in other environments had been solved.

Professor Sir Colin Spedding, chairman of the FAWC, an advisory body funded by the UK agriculture ministry, said: "At the moment, we do not have a [commercial] alternative that is satisfactory from a welfare point of view."

The main problem among hens in open environments was feather pecking and cannibalism. This was natural behaviour, he said, adding: "Hens respond to total freedom no better than humans."

The only way to prevent such anti-social activity was to trim hens' beaks. Sir Colin said: "Beak trimming is essential in free range systems. We're against beak trimming in principle." He said the pecking problem "doesn't happen much in battery cages".

Tha report said a ban on beak trimming in Sweden meant a decision to "ban battery cages by 1999 is likely to prove very difficnlt lo achieve". The report was condamned by Compassion in World Farming, an animal welfare lobby gronp, as "a mealy-monthed let-down for the hens."

In the short term, the study recommended cage sizes be increased by a third. Sir Colin said: "The most unsatisfactory feature [of battery cages] is the limited space. It is a aevere limitation on the expression of normal bahaviour. They can't run about and flap their wings."

Mr Elliot Morley, the minister responsible for animal welfare, said the UK would push for an increase in minimum cage sizes in talks with European farm ministers.

Tbe British Egg Industry Council says larger cages would cost the industry £100m ($167m), excluding the cost of extra land and buildings. They would also increase running costs by 2p per dozen birds.

The study called for research to find out why hens became more aggressive wben they had more space. Also, researchers sbould look at breeding less aggressive heus.

A compromise might be "enriched" cages with perches and even tha chance for hens to build nests. No mention was made of swings, mirrors or little bells.

THE LEX COLUMN

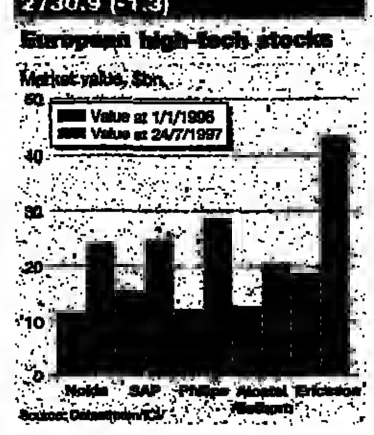
Nimble nifties

Valuations are frothy, but markets are rising. What do you do? Answer – stay invested, but look for safety. Enter the "nifties" – liquid, large-capitalisation, mostly international companies – where most of the recent stock market gains hava been concentratad. The pbenomenon, first evident in the US and Japan, has migrated to Europe where markets are enjoying their best year since the early 1970s. Figures from BZW show that over the past 12 months Europe's 100 largest companies have risen by 72 per cent, compared with a 5 per cent rise for a small company index.

European markets are being driven by a combination of sound fundamentals, restructuring hopes and currency weakness. But the big cap/small cap divide has its roots in safety: large companies offer the trading liquidity which allows for a quicker and cheaper exit in falling markets. Neophyte foreign investors and fund managers wanting to protect their tails also take refuge in size. And further bolstering the trend is the increasing indexation of fund management, which draws money into the largest stocks.

The irony, of course, is that the very risk aversion which underpins the nifty phenomenon is causing a dangerous bubble. It may be that the diversity of multinationals will offer some protection when markets turn down, but the nifty factor has ensured that they will be falling from a very dizzy height.

Eurotrack 200 index
2730.9 (-1.3)



Ericsson

There are few niftier sectors in Europe than the high-tech one, and few niftier high-tech stocks than Ericsson. Tha Swedish telecoms group's share price has nearly tripled since the start of last year in local currency and more than doubled in dollars. Yesterday's first-half results show why. Within a strong overall performance, Ericsson managed to increase sales of mobile pbones by over 100 per cent.

The group has long had a lead in the supply of infrastructure for mobile phone systems – holding a 35-40 per cent global market share. In recent years it has also made a strong push on the handset front, increasing its market ahare to 16 per cent from only 12 per cent last year. This is largely due to its strengtb in digital technology. Motorola, which has been alow to launch digital products, has been the big loser. Moreover, the long-expected threat from cheap Far Eastern manufacturers has been slow to materialise. As a resuit, Ericsson has not only enjoyed increased market penetration, but suffered surprisingly little price erosion.

There is still plenty of growth in the mobile market: Ericsson itself forecasts 590m users worldwide by 2001 compared with 160m now. Such penetration will almost certainly require substantial price-cutting and probably involve Ericsson surrendering market share. But with several years' premium growth virtually assured, a rating of nearly 30 times next year's earnings does not look expensive.

GMG/LVMH

The Bernard Arnault show is in town, and the music has already become less discordant. Under his variation on tha Guinness/Grand Metropolitan merger, Moët Hennessy would ba added to the pot and Burger King, Pillsbury and Guinness Brewing poured out. Mr Arnault would then gain effective control of a giant spirits company and get a disproportionate share of the resultant savings. This special offer was unavailable to anyone else, and was naturally unpopular. So he now says he will take an equal share in all four businesses, if that is what investors want.

This would make his tale of £3.2bn ($5.34bn) of additional value irresistible if the numbers held up. They do not. LVMH reckons that £130m of annual cost savings and revenue enhancement is worth £1.6bn. But if you take off tax, and apply a generous price/earnings multiple of 14, it is only £1.25bn. A discounted cashflow valuation at a net discount rate of 8 per cent gets you to £1.1bn. And there are restructuring costs to subtract. A deal still looks worthwhile, but it is not quite as compelling.

Then there is the removal of a £1.6bn conglomerate discount by demerging three businesses. Once Burger King and Pillsbury switch to US accounting standards, even racy US ratings would struggle to build a £1bn gap. Mr Arnault assumes there is no tax bill, whereas without years of studious preparation a bill of more than £1bn would be likely. There are numerous UK investors who would have to sell new US shares immediately – they would get a lousy price. And then there is the thorny issue of how much MH is worth. Both sides are becoming more flexible, but we are still a long way from a mutually beneficial deal.

Arbitrageurs

To many, arbitrageurs are the financial equivalent of hyenas – laughing scavengers that prey on the wounded. So when British Telecommunications' merger with MCI hit a rough patch aarliar this month, there was much *Schadenfreude*. Arbs, who had been buying MCI stock and shorting BT shares to exploit the discrepancy between their valuations, are now sitting on huge paper losses. Serves them right for trying to make a quick buck was a common attitude.

But like hyenas, arbs are much maligned. Any investor can arbitrage price discrepancies like BT/MCI, Guinness/GrandMet or Bayerische Vereinsbank/Bayerische Hypo-Bank. But few are prepared to run the risk. And the BT/MCI tale shows that arbs do run risks. Though most of the time they can lock in good profits, they can get badly wounded. In a sense, they are rather like reinsurers: taking on risks others shy from.

Arbs also bring valuable information into the market. Because they sometimes take individual positions of $100m or more, they have the incentive and funds to do their homework thoroughly. For example, if they need to form a view on whether BT has the legal right to pull out of the MCI deal, they will commission a specialist legal opinion. Think of the arb's role as participating in the big kill and then tidying up after – just like the hyena.

Additional Lex comment on Scottish devolution, Page 29

FT WEATHER GUIDE

Europe today

Much of the Mediterranean will be hot and sunny with sea breezes in the coastal areas. It will become cloudy over the high ground in Italy and northern Greece with thunderstorms breaking out by evening. The Pyrenees may have showers.

Southern France should be dry with warm sun, but a front will bring a threat of drizzly rain to the north.

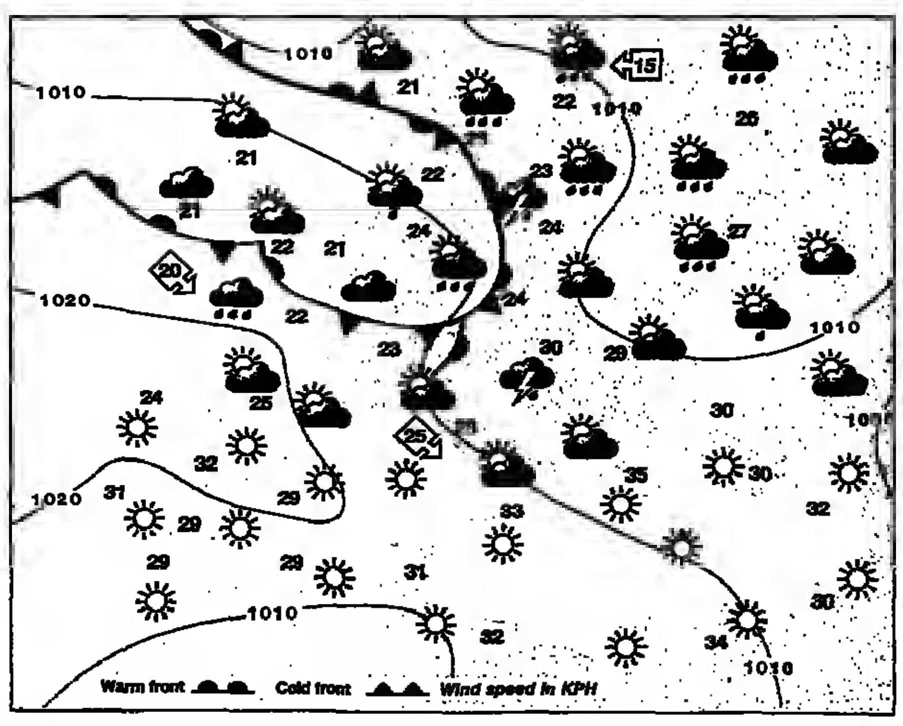
Much of central and eastern Europe, including southern and eastern Scandinavia, will be warm but unsettled with showers and local thunderstorms.

The far north-east will be mainly dry and bright.

Five-day forecast

Scandinavia and eastern Europe will be unsettled. Central and western Europe will be showery over the weekend, but conditions should become settled next week.

The Mediterranean will be hot and sunny. The Spanish interior will be very hot. This will set off thunderstorms over tha mountains.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

Maximum Celsius

Abu Dhabi	Sun 41	Beijing	Sun 32	Caracas	Fair 32	Faro	Sun 31	Madrid	Sun 33	Rangoon	Shower 31
Accra	Cloudy 27	Belfast	Cloudy 20	Cardiff	Cloudy 21	Frankfurt	Shower 21	Majorca	Sun 29	Reykjavik	Drzzl 15
Algiers	Fair 29	Belgrade	Thunder 26	Casablanca	Sun 26	Geneva	Rain 23	Malta	Fair 31	Rio	Fair 26
Amsterdam	Shower 20	Berlin	Thunder 24	Chicago	Cloudy 33	Gibraltar	Sun 29	Manchester	Cloudy 20	Rome	Fair 32
Athens	Sun 35	Bermuda	Fair 30	Cologne	Shower 21	Glasgow	Shower 18	Manila	Cloudy 33	S. Frsco	Sun 22
Atlanta	Sun 35	Bogota	Cloudy 18	Dakar	Sun 31	Hamburg	Thunder 20	Melbourne	Fair 15	Seoul	Fair 33
B. Aires	Cloudy 19	Bombay	Shower 32	Dallas	Sun 36	Helsinki	Shower 22	Mexico City	Fair 25	Singapore	Cloudy 31
B.Ham	Cloudy 22	Brussels	Shower 20	Delhi	Shower 34	Hong Kong	Shower 32	Miami	Thunder 32	Stockholm	Shower 24
Bangkok	Thunder 33	Budapest	Fair 26	Dubai	Sun 41	Honolulu	Fair 32	Milan	Thunder 26	Strasbourg	Rain 22
Barcelona	Sun 26	C.Hagen	Fair 21	Dublin	Cloudy 21	Istanbul	Fair 28	Montreal	Fair 29	Sydney	Fair 17
		Cairo	Sun 34	Dubrovnik	Fair 28	Jakarta	Cloudy 32	Moscow	Fair 26	Tangier	Sun 29
		Cape Town	Cloudy 15	Edinburgh	Cloudy 18	Jersey	Shower 18	Munich	Thunder 21	Tel Aviv	Sun 33
						Karachi	Fair 34	Nairobi	Fair 26	Tokyo	Shower 29
						Kuwait	Sun 47	Naples	Fair 31	Toronto	Fair 31
						L. Angeles	Sun 24	Nassau	Fair 32	Vancouver	Fair 19
						Las Palmas	Sun 27	New York	Thunder 29	Venice	Cloudy 25
						Lima	Fair 25	Nice	Sun 29	Vienna	Cloudy 25
						Lisbon	Sun 33	Nicosia	Sun 33	Warsaw	Thunder 23
						London	Cloudy 23	Oslo	Thunder 22	Washington	Fair 30
						Lux.Bourg	Shower 19	Paris	Shower 22	Wellington	Fair 12
						Lyon	Cloudy 27	Perth	Shower 19	Winnipeg	Fair 29
						Madeira	Sun 26	Prague	Fair 24	Zurich	Rain 20

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FINANCIAL TIMES
COMPANIES & MARKETS
Friday July 25 1997 — Week 30

IN BRIEF

MAS voices fears on weak currency

Malaysian Airline System, the national flag-carrier, became one of the first Malaysian companies to signal that the recent currency depreciation may affect its earnings. Mr Tajudin Ramli, chairman, said he was concerned that the fall of the ringgit, Malaysia's currency, would increase the cost of fuel, which is bought in US dollars.

Vereinsbank rises 15% in first half
Bayerische Vereinsbank, which is merging with another Munich-based bank to form Germany's second-biggest banking group, announced a 15 per cent rise in first-half operating profits to DM766m ($425.5m) after risk provisions. Page 26

Brazilian Budweiser venture blocked
Anheuser-Busch of the US, the world's largest brewer, and Antarctica, the second-largest Brazilian brewery, have been told by Brazil's competition body to unwind a joint venture to distribute Budweiser beer in the country. Page 24

Commerzbank rises 25% to DM1.65bn
Commerzbank, the German bank, reported a sharp rise in profits for the first six months. Helped by rises in interest and commissioo income, pre-tax profits were 25 per cent higher at DM1.65bn ($910m). Page 26

Kingfisher forced to admit to talks
Kingfisher, the UK retail group, was forced by the Paris stock exchange to disclose it is in talks that could lead to a £200m ($334m) bid for BUT, a French electrical and furniture chain. Page 28

Grupo Televisa pushes higher
Grupo Televisa, the Mexican media group, posted a big increase in second-quarter sales and profits. Net profits for the quarter were 4.9bo pesos ($625m), compared with a loss of 280m pesos last time. Page 24

Hong Kong hotels group disappoints
Hongkong and Shanghai Hotels, owner of the Peninsula botel in Hong Kong, disappointed analysts with a 5 per cent decline in half-year net profits. Page 27

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Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Horten	238	+	5.50
Metro AG	95.90	+	5.10
SGL Carbon	250	+	7
Falls			
Allianz	470	–	23
Bay Vereinsbk	102.50	–	12.50
Linde	1285	–	80
NEW YORK ($)			
Rises			
Airtouch	30⅝	+	2⅜
Hasel	22½	+	2½
Insignia Fin	18	+	2
Republic Inds	24⅛	+	1¼
Falls			
Agco	31⅛	–	2½
Fair Isaac	42⅝	–	4⅝
LONDON (Pence)			
Rises			
Aminex	77½	+	5½
Hawtal Whtg	135	+	20
Inspirations	71½	+	10
Videologic	47	+	4
Falls			
Bakyrchik	15	–	8½
Vocalis	59½	–	5½
TORONTO (C$)			
Rises			
CDN Med Lab	6.05	+	0.95
Cameco	54.25	+	3.20
Falls			
Accrar Tech	3.00	–	0.60
Phoenix Intl	10.00	–	0.75
City Dino Ent	1.75	–	0.50
Royrock Yellow	5.50	–	0.70

PARIS (FFr)			
Rises			
Peugeot	646	+	32
Sidel	458.50	+	22
Falls			
BNP	265.60	–	9.30
Dada France	584	–	18
Saint Gobain	844	–	19
Taittinger	2570	–	86
TOKYO (Yen)			
Rises			
Daiei	905	+	43
Fanuc	4860	+	190
Mitsui Fudosan	1590	+	60
Falls			
Lg Term Credit	506	–	17
Tanabe Seiyaku	998	–	42
Zexel	610	–	40
HONG KONG (HK$)			
Rises			
Cosco Pacific	17.15	+	0.25
Sino Dar HK	8.90	+	0.10
Swire Pac A	69.25	+	2.25
Falls			
Chen Hsong	4.05	–	0.10
Henderson Inv	8.40	–	0.10
Hk & S Hotels	11.40	–	0.25
BANGKOK (Baht)			
Rises			
Choroong Thai	40.00	+	3.50
Compass East	113.00	+	10.00
North Star	117.00	+	10.00
Falls			
Ayudhya Ins	162.00	–	18.00
Securities One	35.00	–	3.75
Thai Factory	47.00	–	5.00

New York & Toronto prices at 12.30.

LVMH chief seeks to persuade investors

Arnault says three-way merger with drink groups will add $217m to profits


Bernard Arnault: in London to talk to institutional investors

By David Blackwell in London

LVMH, the French luxury goods group chaired by Mr Bernard Arnault, yesterday said its plan for a drinks merger with Guinness and Grand Metropolitan would add £130m ($217m) to the combined profits of the new group.

The announcement came as Mr Arnault arrived in London for meetings with institutional investors. He aims to persuade them that Guinness and GrandMet should abandon their £24bn merger plan and adopt his three-way proposal.

The French group estimated that £65m would come from cost savings above the £175m identified in the UK groups' merger proposal.

A further £65m of additional annual operating profit would come from adding the brands of Moët Hennessy, the LVMH subsidiary, to those of Guinness's United Distillers (UD) and GrandMet's International Distillers and Vintners (IDV).

Mr Arnault, who resigned as a Guinness director on Monday, said yesterday he had always argued that the brewing side of the UK drinks group should be demerged. But joining up with GrandMet added the Burger King fast-food outlets and Pillsbury food business to the conglomerate.

"I see no reason why they should be more successful together than separate," said Mr Arnault, who wants to see the food and brewing businesses demerged.

Analysts said the savings figures announced yesterday for the three-way drinks merger were at the top end of estimates. "Mr Arnault may be right, but it is a very optimistic prediction," said one.

Institutional investors – many of which will oot see Mr Arnault until next week – also said they would like to see full justificatioo for the figures.

LVMH said the additional cost savings would come from closer integration of distribution centres of Moët Hennessy, UD, their joint veotures and IDV. More savings would come from streamlining regional and head offices.

The three-way merger would create the world's leading drinks company, said LVMH, with pro forma 1995-96 sales of £7.4bn. The group would have an "unrivalled" distribution network and would be a market leader in five of the six categories of premium drinks.

Both institutions and analysts yesterday accepted the strategic case for adding Moët Hennessy to UD and IDV. The main sticking point, one fund manager suggested, was that Mr Arnault "wants more than his fair share of the spoils – to the detriment of other shareholders".

Mr Arnault said be was in London to listen and to try to find out what investors thought of his proposition. "If they think it needs amending then we will do it."

Lex, Page 22
Charm offensive, Page 29

Better than expected second quarter results vindicate chairman

Philips profits surge as all divisions perform

By Barbara Smit in Eindhoven

Philips yesterday revealed a surge in profits in the second quarter, reinforcing investors' confidence in the tough approach of Mr Cor Boonstra, the Dutch electronics group's new chairman.

The rise was much higher than predicted. Philips stressed that it reflected improvements across nearly all its activities.

Boosted by the increased value of dollar earnings in guilder terms, net profits in the quarter reached Fl747m ($364m) compared with a loss of Fl456m in the same period last year, when the figure was depressed by restructuring.

The strong results were partly attributed to the company's withdrawal from Grundig, the troubled German electronics group, and the divestment of several loss-making units in line with Mr Boonstra's promise to purge the "bleeders" from the organisation.

Mr Dudley Eustace, Philips vice-president, said the company had already handled about half of these "problem children". Nine other underperforming units and several more smaller activities would be divested in tha near future.

"This is an amazing performance," said Mr Eric de Graaf, Philips analyst at ING Barings in Amsterdam. "In the last years there has always been at least one division to mess up the results, but not this time. The only small disappointment is the modest result of consumer products."

Philips said the dip in operating profits from consumer products, from Fl206m in the first quarter to Fl62m in the second, was caused by marketing costs for product launches in the US and a large advertising campaign to familiarise Americans with the brand.

"This reflects a well thought-out group policy to invest primarily in products that are truly promising and to strengthen Philips' position in the United States," said Mr Nimrod Schwarzmann, Philips analyst at James Capel in London. "These temporary expenses will bear fruit in time."

Other analysts said they were pleased with the earnings of the components and semiconductors business, with operating profits rising from Fl429m in the first quarter to Fl630m. Mr Jan Hommen, chief financial officer, said price erosion had almost come to a halt in the second quarter and demand was strong.

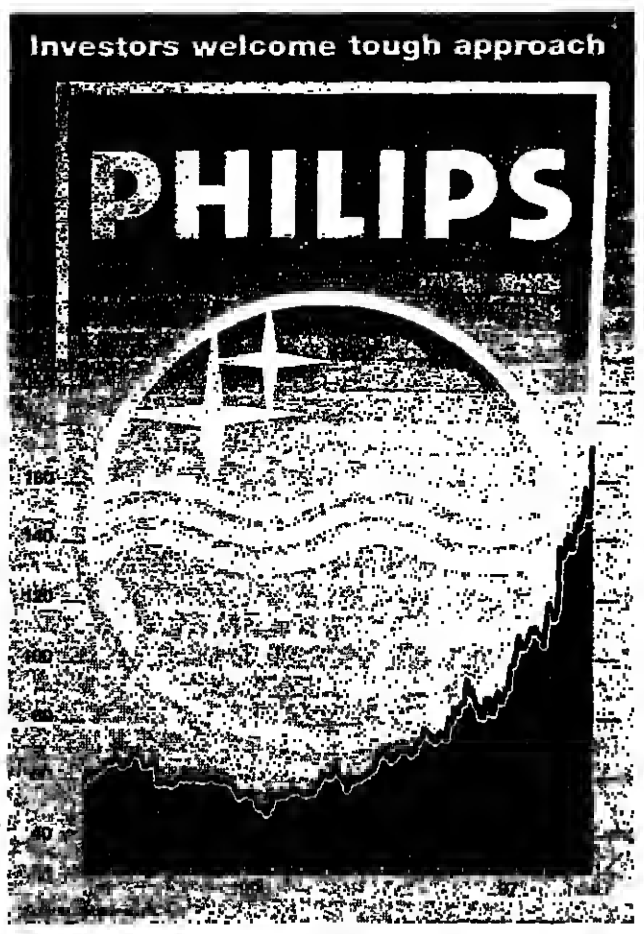
However the mobile phones unit reported deepening losses because tha much-awaited introduction of the ultra-light, Genie model had to be postponed. Ironically, the group has often described this unit as the epitome of the "new Philips" with fast product launches and sharp marketing.

Though it was late entering the market, Philips wants to rank as the world's third largest player in mobile phones by the turn of the century. Last month it sealed a joint venture with Lucent Technologies in the US to gain faster access to the US market. Despite the delay of the Genie launch, Philips is still confident the unit will become profitable in the last quarter of this year.

While Mr Boonstra has persistently refused to discuss the possibility of the company's break-up, Mr Hommeo said this option may turn oot to be "a good alternative" if it added to the creatioo of shareholder value.

Philips shares rose by 5.6 per cent in Amsterdam from Fl162.10 to Fl171.30.

Investors welcome tough approach



Kodak to step up attack on overhead costs

By Richard Waters in New York

Eastman Kodak is to step up its attack on overbead costs to put its earnings back oo a growth path after recent disappointments, according to Mr George Fisher, chairman.

Mr Fisber said the company would not scale back any of its ambitious long-term investment plans, despite Wall Street's conceros over the delays and costs that have afflicted some of its new digital and other products.

The Kodak chairmao was speaking in an interview a week after the company produced its second quarterly earnings disappointment this year. This has prompted questions on Wall Street about whether the recovery under Mr Fisber, who was brought in to turn Kodak around in late 1993, had run out of momentum. The company's shares are trading some 28 per cent below their peak.

On Kodak's turnround, Mr Fisher said: "We're about halfway done. It will take the full three or four years."

While Kodak will continue to reduce manufacturing costs, the main attack will be on overheads, Mr Fisher said. This was important given the company's expansion into emerging market countries and the development of new digital products, both of which would produce lower profit margins than its traditional US consumer busioess, be added.

Overbeads bave consumed 27 per cent of Kodak's revenues this year, compared with the "less than 20 per cent" that it would have to achieve to be competitive in a digital world, according to Mr Fisber. Reducing overheads to this level would involve cost savings of at least $1.1bn, based oo last year's revenues of $16bo.

The reoewed attack on costs contrasts with Mr Fisber's focus to date oo rekindling growth, and indicates the extent of the pressure brought on by a renewed attack on the US film market by Fuji and the effect on earnings of the rise in the dollar. Also, Kodak has fallen behind in some recent product launcbes, including digital cameras.

The Kodak cbairman continued to insist that be would not put himself in the running for the top job at AT&T, albeit reluctantly. His name was among the first to emerge when AT&T started a searcb for a new chief executive last week, in part because he is a non-executive director of the telecommunications company. "If I didn't have this job, I would love to help them, if I could," Mr Fisher said.

Snapshot of a company hitting the sand, Page 24

ICI sees £150m currency hit

By Roger Taylor in London

Imperial Chemical Industries yesterday became tha latest victim of sterling's strength as it predicted a £150m ($250m) loss this year from adverse currency movements.

Tha UK company reported interim pre-tax profits down by more than half at £160m, from £387m a year ago, including a loss of £90m from the strength of sterling.

Two-thirds of the currency losses were due to lower margins in markets where prices are set in D-Marks and other currencies which have weakened against the pound. The rest was directly due to losses incurred on the conversion of foreign profits into sterling.

Mr Charles Miller Smith, chief executive, said: "If the new currency is brought in, we will have to start getting used to billing customers in euros and it might makes sense for us to report our results in euros."

Economic and monetary union would create opportunities for ICI, which was "becoming more European", with four businesses based in continental Europe after the £4.9bn acquisition of Unilever's speciality chemicals businesses, announced in May.

In the six months to June 30, group turnover fell 6 per cent to £4.97bn, from £5.3bn a year ago, in spite of a 5 per cent rise in like-for-like sales and a further 1 per cent rise from acquisitions. This was more than offset by currency effects, which cut turnover 7 per cent, and price falls, which took off another 5 per cent.

ICI said the worst performance was in its bulk industrial operations, which it is selling. It has agreed to sell its Tioxide and Polyester bnsinesses to DuPont of the US for $3bn. It aimed to sell the rest of these businesses soon.

Analysts were unimpressed with the results and in particular with the ICI's paints division, whose profits were marginally below expectations. They were also disappointed that the dividend was left unchanged at 12.5p. The shares fell 16½p to 908½p.

Rapid growth puts SAP on course for US listing

By Graham Bowley in Frankfurt

SAP, the German business software company, was set yesterday for a US share listing next year after its latest figures confirmed it is enjoying one of the fastest growth periods in its 25-year history.

Sales rose 52 per cent in the second quarter to DM1.37bn ($760m), helped by the D-Mark's decline on the foreign exchanges and buoyant international sales, the company reported. Pre-tax profits grew 56 per cent to DM401m.

However, analysts warned that favourable exchange rate movements flattered the company's results, disguising a 50 per cent leap in costs in the second quarter to DM1bn. SAP also warned of a possible slowdown in growth ovar the autumn, a traditionally weak quarter for the company because of seasonal factors.

Mr Dietmar Hopp, chairman, said SAP would seek to list its shares on a US stock exchange at the end of next year at the earliest in a move to raise its international profile and to secure a stronger foothold in its most important market.

SAP would oext year also adopt US GAAP accounting standards, the latest of only a handful of German companies to do so.

The role of chairman is to be shared betweeo Mr Hopp and Mr Hasso Plattner, in part to help the group coocentrate on international expansion.

SAP said it had raised its forecasts for growth this year beyond the 25-30 per cent projected at the beginning of the year because of improved market conditions. SAP's share price has risan sharply in recent years and has increased abont 70 per cent so far in 1997. Its market capitalisation, which stood at DM900m wben it was floated in 1988, is now around DM46bn.

Recently it has announced new contracts to supply high-profile Germao companies such as Daimler Benz, Bayer and Volkswagen. Yesterday, SAP's share price rose DM1.70 to close at DM433.

Mr Hopp said recent growth was being propelled by the popularity of the internet and by companies preparing their computers for 2000 and for the switch-over to the planned European single currency. He warned tbat the company's growth might be curtailed if Emu was postponed.

Digital upbeat despite fall in revenues

By Paul Taylor

Digital Equipment, the US-based computer group, is confident of a return to revenue growth in the current quarter, Mr Vincent Mullarky, chief financial officer, said yesterday.

Mr Mullarky was speaking following the release of fourth-quarter results, which showed net earnings of $124m, or 75 cents a share, compared with a loss of $433m, or $2.87, in the year-ago period, when earnings were depressed by restructuring charges of $492m.

Full-year net income of $141m, or 68 cents, compared with a net loss of $112m, or 97 cents, a year earlier.

The fourth-quarter figures were ahead of Wall Street expectations of about 73 cents a share, and raised hopes that Digital is emerging from the latest restructuring in better shape.

Mr Robert Palmer, chairman and chief executive, described the results as "pleasing" and said: "I am very encouraged by the progress Digital made in the fourth quarter.

"We achieved improvement for the third straight quarter while further positioning the company for both near-term and long-term. I am convinced that Digital is in the best position since the mid-1980s to take advantage of current and emerging market opportunities."

The turnround came despite a year-on-year decline in revenues, which fell to $3.5bn from $3.7bn in the fourth quarter and to $13bn from $14.6bn for the full year.

The decline was mostly attributed to businesses which Digital has withdrawn from, and to the effect of currency movements which it said reduced full-year revenues by $400m and profits by $240m.

Despite this, the Digital executives, who have been criticised by shareholders over the past year because of the group's poor performance, said gross margins had improved to their best levels for more than three years.

The company said this reflected continuing improvements in product costs and productivity, and a marked turnround in the group's personal computer business, which has moved back into profit. "The progress in our personal computer business over the past year has been excellent," Mr Palmer said.

The company ended the fourth quarter with $2.5bn in cash and short-term investments. This represents an increase of nearly $500m over last year.

It repurchased 4m common shares during the quarter and 10m over the course of the year, at a cost of more than $350m.

Digital said yesterday its board authorised the addition of 15m shares to its stock repurchase scheme.

The shares gained $2 to $40 in early New York trading.

Snapshot of a company hitting the sand

Things were looking good for Kodak until growth slowed and Wall Street assumed the worst

George Fisher's halo has slipped. At the start of this year, the Eastman Kodak chairman was being credited with turning round of one of the great consumer brand name companies.

Confounding a sceptical Wall Street, he had demonstrated that Kodak's original base in consumer photography, widely thought to be mature, could be turned back into a growth business.

"He said he would do it, and he did. No one believed him," says Mr Michael Ellmann, an analyst at Schroders who has followed Kodak for 15 years.

With revenues climbing 10 per cent in 1995 and 7 per cent last year, it seemed that the company would finally break out of the spiral of retrenchment and redundancy that had made it a symbol of American downsizing.

Suddenly, though, things look rather different.

Kodak ran into the sand in the first half of this year, in part due to the ravages of a higher dollar: growth slowed to just 2 per cent.

To make matters worse, some important product launches have fizzled. As a result, earnings this year would probably not top those of 1996, the Kodak chairman warned last week.

The stock market has passed a harsh judgment: the company's shares are down 28 per cent from their high point, in spite of the market's continued rise.

George Fisher: having to face an alarming number of 'bombs' that appear to have gone off at once

To rub salt into investors' wounds, Mr Fisher himself turned a $9m profit by selling Kodak stock in May at about $80 a share. Yesterday, they were trading at $68.

"It's important to keep it in perspective," says Mr Fisher now. "Sometimes, when the bombs are going off, it's difficult to do that."

But, he insists: "The fundamentals look pretty darned good."

The problem for both Kodak and its chairman is that an alarming number of bombs appear to have gone off at once.

The detonation that has most rattled investors has come, as so often in the past, from a little green box marked Fuji.

Kodak's arch-enemy has stepped up its attack on the US film market, using heavy price discounting to win market share and signing up some big customers – most notably, Wal-Mart – for the paper and, in the coming months, film produced at its new South Carolina plant.

Revenue growth in Kodak's core US consumer imaging business slowed to 10 per cent in the first half of the year, from 16 per cent and 18 per cent the two previous years.

While agreeing that Fuji has turned up the heat, Mr Fisher, a former chairman of Motorola, compares the business to price competition for computer chips and concludes: "This is nothing like a price war."

Kodak has certainly lost market share in the US. Mr Fisher reckons its loss is 5 percentage points over the past three years, leaving Kodak with 68 per cent. "We don't think that rate is being increased," he adds.

Also, with Fuji training much of its attack on the low-price private label film market, it is possible that weaker competitors, rather than Kodak, will feel most of the pressure.

Always jittery over the Fuji threat, Wall Street seems to have assumed the worst.

Moreover, Mr Fisher's appeals for patience as Kodak moves into a new era of growth – in emerging markets, digital imaging and other new products – have started to grate on investors in the wake of problems in all these areas.

It was a slowdown in some emerging markets, particularly China, that put the brakes on growth in the first quarter of this year.

More recently, the marketing costs of relaunching the Advantix camera and film – a product of the APS venture with other camera companies – has eaten into profit margins.

After a misfire last year, Mr Fisher says Advantix is now doing well and that Kodak believes it will recover its $700m-$1bn investment.

A further big disappointment has come from digital imaging, the future on which Mr Fisher has staked the company.

Kodak had said it hoped to break even by the of this year: in the second quarter, though, losses from digital widened to $100m.

This is in part due to the failure of digital cameras in the consumer market. Instead, Mr Fisher now says, the greatest short-term applications for digital imaging seem to involve scanning traditional pictures on to computers.

Mr Fisher says employing people to develop networking skills has added to the costs of building a digital business, but the long-term opportunities remain "humungous".

The question for the Kodak chairman in the coming months is whether he has Wall Street firmly behind him on this.

"I'm not going to pass up those opportunities just to make quarterly earnings," he says of the second-quarter disappointment.

He promises Kodak will return to 10 per cent earnings growth – but he will not say when.

Richard Waters

AMERICAS NEWS DIGEST

Power failure hits oil group

A refinery power failure cost Phillips Petroleum $21m in operating profits in the second quarter, the Oklahoma group said yesterday. Lower crude prices reduced exploration and production earnings by 10 per cent, but net income rose almost 40 per cent to $307m, it said. Special items, primarily a tax benefit, more than compensated for the shortfall, and earnings per share rose from 84 cents last time to $1.17. The results marked the sixth consecutive quarter with operating income exceeding $200m, said Mr Wayne Allen, chairman. Earnings were $214m, down from $221m in 1996, or 81 cents, compared with 84 cents.

As with other oil groups, refining and marketing profits benefited from cheaper feedstock, while the gas business was affected by lower natural gas prices.

Christopher Parkes, Los Angeles

■ COPYING

Strong dollar holds Xerox back

Xerox said the negative impact of the stronger dollar had held second-quarter revenues to a 3 per cent rise to $4.4bn. Excluding currency changes, the US copying company's revenues rose 6 per cent. In the same period last year, Xerox reported revenues of $4.2bn. Second-quarter fully diluted earnings were 94 cents a share. According to First Call, a research group, the consensus expectation was 89 cents a share.

Reuters, Stamford, Connecticut

■ CELLULAR PHONES

AirTouch earnings jump 75%

AirTouch Communications, the diversified US cellular and paging operator, said it was on track to meet or exceed its stated goal of $1.5bn in operating cash flow for 1997, after reporting a 75 per cent jump in second-quarter earnings per share. The result was far ahead of Wall Street expectations and in spite of rising competition in its cellular phone markets. AirTouch said second-quarter earnings per share were 21 cents, compared with 12 cents in the year-ago period. The quarterly earnings consensus had been 14 cents, according to First Call. The second quarter included a one-time gain of 3 cents, primarily due to lower tax rates. Prior to the gain, second-quarter operating income rose 50 per cent, to 18 cents.

Reuters, San Francisco

■ INSURANCE

American Intl beats expectations

American International, the US insurer, said net profits rose from $724.4m to $826.5m in the second quarter to the end of June, pushing up earnings per share from $1.53 to $1.77, ahead of expectations. Revenues rose from $6.89bn to $7.76bn. The second-quarter earnings do not take into account a 3-for-2 share split, which takes effect today, and is not adjusted for realised capital gains. On a post-split basis, earnings were $1.18, compared with $1.03 a year earlier. The consensus forecast was for an unadjusted second-quarter earnings per share before the share split of $1.68.

AFX News, New York

■ CHEMICALS

Dow Chemical sales up 4%

Dow Chemical reported earnings for the second quarter to the end of June of $2.48 per share, up from $2.20 a year ago. The result included a net one-time gain of 23 cents. Sales in the second quarter rose 4 per cent to $5.4bn. Volume gains of 8 per cent were partially offset by a 4 per cent decline in prices, mostly due to currency effects.

Reuters, Midland, Michigan

Anheuser Brazilian link-up blocked

By Geoff Dyer in São Paulo

Anheuser-Busch of the US, the world's largest brewer, and Antarctica, the second-largest Brazilian brewery, have been ordered by Brazil's competition authority to unwind a joint venture to distribute Budweiser beer in the country.

The decision by Cade, the competition watchdog, follows its ruling last month that Miller Brewing of the US and Brahma, Brazil's largest brewer, must dissolve their joint venture to market Miller's Genuine Draft beer to Brazil.

The decisions have raised fears that other planned investments by multinationals in Brazil could be threatened, although Cade officials denied there was a new policy against joint ventures between Brazilian and foreign manufacturers.

Since the launch of a new currency three years ago, which has brought inflation under control, Brazil has become one of the most popular countries for direct foreign investment.

Antarctica said it may still appeal against the decision. Brahma also said it had not made a final decision on an appeal.

Cade voted five to two that Anheuser-Busch's venture with Antarctica should be dissolved in two years as it prevented competition developing in the market.

Ms Lucia Helena Salgado, a Cade adviser, said Brahma and Antarctica had used the tie-ups to limit competition from the two US brewers, which could have entered the market independently.

Analysts said it would be extremely expensive for a foreign group to set up a distribution network from scratch in Brazil and that the joint ventures had not threatened competition. "It appears a very political decision," said one.

Record profit margin helps lift Colgate 18%

By Tracy Corrigan in New York

Colgate-Palmolive, the US consumer products group, yesterday reported an 18 per cent jump in net income, helped by the highest gross profit margin in its history.

Net income of $175.8m for the second quarter, up 18 per cent, was achieved on a 6 per cent increase in sales to $2.3bn. Earnings per share of 58 cents were slightly above analysts' estimates. Excluding the effect of foreign exchange translation, sales were up 9 per cent.

Colgate's shares edged up $1/16 to $75 15/16 following the earnings announcement.

Mr Reuben Mark, chairman and chief executive, said cost savings and restructuring had driven the company's gross profit margin up 1.8 percentage points, in spite of a 20 per cent increase in advertising spending.

"We are pleased with our strong top-line growth, and that every division met or exceeded our aggressive volume targets," Mr Mark said. "Market shares increased in most areas, with new products receiving excellent consumer response."

Volume growth was led by Colgate-Latin America and Hill's Pet Nutrition, each up 12 per cent; volumes at Colgate-North America and Colgate Asia/Africa were up 7 per cent and 5 per cent, respectively.

The company said it had scored successes with new products, including its Baking Soda & Peroxide toothpaste in Latin America.

Colgate last week received approval from the US Food and Drug Administration to sell Colgate Total, the first approval for a toothpaste to help prevent gum disease. It will be available in the US by the end of 1997.

Total's effect on cavities is the same as other toothpastes, but it contains triclosan, an antibacterial substance which has been found in trials to be active in combating gum disease. It also contains Gantrez, a polymer, which helps the triclosan stick to the teeth and remain active between brushings.

"We believe that Colgate Total is the most significant advancement in home dental care since the introduction of fluoride," said Ms Lois Juliber, Colgate-Palmolive chief of operations for developed markets.

The toothpaste is already available in 103 countries, and has been sold outside the US since 1992.

Concerns remain despite Grupo Televisa advance

By Daniel Dombey in Mexico City

Grupo Televisa, Mexico's dominant media group, yesterday reported a big increase in second-quarter sales and profits on the back of higher advertising revenue and a big asset sale.

But some analysts were concerned by the group's failure to reduce costs in spite of a widely-publicised scheme to save $270m over three years.

Televisa's management has been in turmoil following the death in April of Mr Emilio Azcárraga Milmo, chief executive, and the succession by his son, 29-year-old Mr Emilio Azcárraga Jean.

However, the stock was buoyed yesterday by net profits for the quarter of 4.9bn pesos ($625m), compared with a loss of 280m pesos for the same period last year.

Profits were dominated by the receipt of 5.3bn pesos from Televisa's sale of part of its stake in PanAmSat, a satellite operator.

The windfall was partially offset by extraordinary charges. Excluding non-recurring items, profits were 137m pesos for the quarter, compared with a loss of 51m pesos for the quarter last year.

Sales of 3.3bn pesos marked a 17.6 per cent increase on the same period a year ago.

While part of the increase was due to Mexico's improving economy, the group also benefited from one-off events, such as political advertising in the run-up to elections earlier this month and advertising for the launch of the country's newly-liberalised private pension fund system.

Operating profits trebled from a year ago, to 343m pesos.

The company's total costs for the quarter rose 9.3 per cent to 2.78bn pesos, in spite of its cost-cutting efforts.

In addition, the company announced a non-recurring charge of 556m pesos relating to the cost-cutting programme.

The programme had been spearheaded by Mr Guillermo Cañedo White, the former finance chief who was deposed this week following a feud with some of the other minority shareholders over who succeeded Mr Azcárraga Milmo.

However, Televisa insists it is sticking to the plan's objectives.

Televisa's American Depositary Receipts were up $1 1/16 at $30 1/16 in early New York trading yesterday.

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Power failure hits oil group

THE STET/TELECOM ITALIA MERGER, INTERPRETED BY MARIO SCHIFANO.

July 1997. Now Italy's global telecommunications business has one name: Telecom Italia.

On July 18th 1997, the merger of STET and Telecom Italia was completed. From now on, Italy's global telecommunications business is represented by a single company, Telecom Italia, which combines the resources and operations of the holding company with those of its main operating company.

The Telecom Italia Group hits the ground running: it's the world's sixth telecoms company by revenues and, through its subsidiary TIM, is also Europe's leading mobile telephony business.

Telecom Italia is looking to the future. With an eye to the ever increasing challenges of the global marketplace and the ever more advanced services which consumers demand. Telecom Italia is dedicated to becoming yet more competitive, without ever losing touch with the needs of its customers.

Its aim: simply to communicate better, both at home in Italy and around the world.

TELECOM ITALIA

Telecommunications in Italy and worldwide.

Commerzbank rises 25% to DM1.65bn

By Andrew Fisher in Frankfurt

Commerzbank, the German bank, yesterday reported a sharp rise in profits for the first six months and countered speculation abont its future by saying it would *remain independent*.

Helped by sharp rises in interest and commission income, operating profits, after risk provisions were 23 per cent higher at DM1.63bn ($892m). Pre-tax profits were 25 per cent higher at DM1.65bn.

Mr Marlin Kohlhaussen, cbairman, said Commerzbank's strong performance meant it should be able to continue its successful course and shape its future on its own.

Some analysts have focused on whether Commerzbank might be acquired amid speculation about bank *restructuring – refuelled by* tbe big Bavarian bank merger announced on Monday.

Mr Kohlhaussen repeated his statement that sharebolders could expect a higher dividend if profits continued to be strong in the second half.

Deutsche Bank, Germany's biggest bank, has already reported a sharp rise in earnings for the first six months; Dresdner Bank will give details next week.

Like other banks, Commerzbank's progress was helped by the powerful showing of capital markets this year.

Net commission income jumped 25.5 per cent to DM1.45bn, with profits on securities business up 40 per cent and other fee-based income also strong.

Resolutely independent: Martin Kohlhaussen signalled the possibility of a higher dividend

Net interest income was 16.5 per cent up at DM3.34bn, with the volume of business up considerably and the interest rate margin showing a slight improvement.

Financial trading profits fell 62 per cent to DM136m, but the bank said results of own-account securities and other dealings did not emerge clearly under German accounting methods.

When calculated under International Accounting *Standards (IAS), trading* profits were DM534m, against DM497m in the same period last year. The difference arises because unrealised capital gains derived from trading and associated interest income are included under IAS.

The bank said strict cost management allowed it to keep costs growth, which totalled DM2.96bn, down to 7 per cent.

Risk provisions were 8 per cent higher at DM650m. The bank said domestic banking branch business showed a marked profit improvement and the high level of foreign earnings had increased further. Investment banking, where it is stepping up its efforts, also turned in steadily rising profits.

Bavarian bank up 15% at halfway

By Andrew Fisher

Bayerische Vereinsbank, which is merging with another Munich-based bank to form Germany's second-biggest banking group, yesterday announced a 15 per ceot rise in first-half operating profits to DM766m ($419m) after risk provisions.

It said it expected a good result for the whole of 1997 and would be in a strong position for tbe planned merger with Bayerische Hypotheken- und Wechsel-Bank. The two will have combined total assets larger than Dresdner Bank and be second only to Deutsche Bank in the German and European markets.

Vereinsbank *said* most of its profits stemmed from net interest income, which showed an 8 per cent rise to DM2.5bn. One-third of this came from mortgage banking business, up 12 per cent to about DM800m. Mortgage loan volume rose 6 per cent to DM131bn, mostly in the private bousing sector.

Net commission income was 20 per cent higher at DM698m. More than balf of this came from securities and asset management business, which grew 26 per cent. Total assets under management rose 16 per cent to nearly DM68bn.

Own-account trading produced a marginal rise in profits at DM197m. Costs were almost 8 per cent higher at DM2.1bn, with capital spending up more steeply than staff costs.

Risk provisions were up 13 per cent at DM498m, altbougb tbat included a drop in tbe amount set aside for loan-loss precautions from DM579m to DM562m.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price by Trading on 23.7.97 / Firm Prices for Trading on 22.7.97

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	12.72	12.28	12.53	0.77
0100	11.77	12.06	12.32	0.77
0130	11.77	12.06	12.32	0.77
0200	11.77	12.06	12.32	0.77
0230	11.77	12.06	12.32	0.77
0300	11.77	12.06	12.32	0.77
0330	11.77	12.06	12.32	0.77
0400	11.77	12.06	12.32	0.77
0430	11.77	12.06	12.32	0.77
0500	11.77	12.06	12.32	0.77
0530	10.10	10.02	10.02	0.00
0600	10.04	10.02	10.02	0.00
0630	10.11	10.02	10.02	0.00
0700	11.96	17.96	18.21	0.77
0730	17.50	18.05	18.30	0.77
0800	17.50	18.71	18.97	0.77
0830	17.87	20.66	20.94	0.77
0900	17.89	20.82	21.14	0.77
0930	21.61	20.28	20.55	0.77
1000	21.62	22.33	22.72	0.77
1030	21.63	22.44	22.86	0.77
1100	21.63	22.58	23.02	0.77
1130	21.65	22.84	23.35	0.77
1200	21.66	23.14	23.71	0.77
1230	21.65	42.71	43.26	0.77
1300	21.62	42.31	42.78	0.77
1330	21.59	23.38	20.74	0.77
1400	17.03	20.73	21.03	0.77
1430	16.73	18.97	19.26	0.77
1500	16.36	18.94	19.22	0.77
1530	16.36	18.92	19.19	0.77
1600	16.36	18.93	19.20	0.77
1630	16.36	18.96	19.24	0.77
1700	16.36	18.99	19.28	0.77
1730	17.87	20.09	20.37	0.77
1800	17.87	20.04	20.31	0.77
1830	17.87	18.28	18.54	0.77
1900	23.00	18.27	18.52	0.77
1930	23.00	19.86	20.11	0.77
2000	16.23	18.26	18.51	0.77
2030	16.23	16.68	16.93	0.77
2100	16.23	16.05	16.30	0.77
2130	16.23	18.05	18.30	0.77
2200	23.00	17.96	18.21	0.77
2230	23.00	17.92	18.17	0.77
2300	19.68	17.96	18.21	0.77
2330	15.58	12.56	12.81	0.77
2400	16.23	11.71	11.96	0.77

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.85/MWh becomes 1.685p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction and sometimes major alterations until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of its electricity transmission system for the purpose of recovering the costs arising from the operation of that system. Charges are calculated by NGC and are based on payments made by NGC and the pool. TSP is also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool and on TSP on behalf of NGC by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6739 between 8.30am and 5.00pm Monday to Friday.

All lines are busy at Ericsson

Move to plough resources into mobile handsets and terminals is paying off

"Phenomenal", "impressive" and "stunning" were among the superlatives rolled out yesterday by analysts to describe Ericsson's first-half earnings surge.

The Swedish group's pretax profits of SKr6.1bn ($779m) certainly made nonsense of analysts' prior predictions, coming in SKr1bn ahead of market expectations. Shares in Ericsson, Sweden's biggest company by market capitalisation, responded by touching a year-high of SKr370, and have now risen by almost 70 per cent this year.

"Tbe figures are mucb stronger *than anyone* expected," said Mr Douglas Smith, telecommunications analyst at Salomon Brotbers in London.

He attributes the group's success largely to its ability to ramp up volumes in its booming mobile phones division, therehy attaining greater economies of scale.

"Management was very astute in realising early on that by increasing volumes, they would increase margins and profits," he said. "It is a simple idea, but they applied it very well."

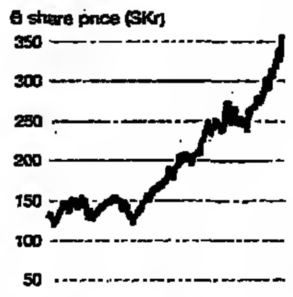
In fact, yesterday's figures were even more impressive than they looked; last year's figures were inflated by a SKr400m non-recurring gain, against a SKr20m exceptional loss this time.

Despite its electrifying growth, Ericsson has as yet shown no sign of succumbing to the kind of problems suffered by its two big competitors in mobile phones over the past 18 months.

Motorola, of the US, and Finland's Nokia, botb of which are bigger in mobile phones than Ericsson, have each suffered earnings blips during this period. Motorola, which is also a big producer of semicondnctors, was buffetted late last year by a downturn in the computer chip market. Nokia's profits fell early in 1996 due to internal logistical problems, although they subseqnently rebounded.

Ericsson

8 share price (SKr)



Source: Datastream/ICV

Ericssoo, meanwhile, has displayed remarkable consistency. *Order bookings have* grown for 23 consecutive quarters, while year-on-year sales growth in the mobile handset and terminals unit has nudged steadily upwards to treble digits.

Mr Lars Ramqvist, Ericsson's chief executive, admits the financial strain of the rapid global expansion that has seen Ericsson's profits grow by about 50 per cent a year since 1993. Yet any concerns at the cost of expansion will have been offset by yesterday's disclosure that first-half cash flow was neutral.

Behind the virtuous circle of increasing sales and profits is Ericsson's commitment to mobile phones.

The company's current success can be traced to its move in the early 1990s to plough large resources into developing mobile handsets and terminals, ahead of some of its rivals. This division now accounts for more than one-quarter of group sales, *compared* with *18 per* cent a year ago.

"They have been very smart in focusing more on mobile handsets than on the mobile infrastructure business. This has boosted their margins," says Mr Smith, at Salomon Brothers.

At the same time, pricing pressure on Ericsson handsets in the fiercely competitive mobile phones market has abated, altbough this may be temporary rather than a longer-term trend.

Ericsson executives say consumers are prepared to pay a premium for its upmarket handsets. And, while price erosion is greatest in analogue phones, Ericsson's product range is centred on digital technology.

Meanwhile, the group is making strides in improving productivity in its Infocom division, which combines fixed telephone networks with computer and multimedia operations. The unit has been Ericsson's problem child in the past few years, *reflecting severe price* erosion in fixed networks in the face of stiff competition from rival suppliers.

But Infocom is again reporting strong sales growth – the first sign that a comprebensive rationalisation is paying off. The success of the mobile division seems to be rubbing off.

Greg McIvor

BBV ahead of forecasts at six months

By Tom Burns in Madrid

Banco Bilbao Vizcaya, the biggest Spanisb banking group by market capitalisation, yesterday reported a 25.9 per cent rise to Pta58.1bn ($382.3m) in first-*half net attributable profits*, in spite of big provisions for recently-acquired Latin American banks.

The profits, whicb were above estimates, were fuelled by improved earnings across its business units, with operating profits up 34.4 per cent to Pta156.6bn. Mr Luis Bastida, financial director, forecast that year-end profits would be in line with those of the first half.

Earnings from fee commissions were up 45.3 per cent to Pta93.3bn, wbile trading profits rose 36.6 per cent to Pta34.4bn.

BBV put aside Pta73bn for provisioning, 41 per cent more than in the first six months of last year. Most of this was allocated to its subsidiary banks in Argentina, Colombia, Mexico, Peru and Venezuela.

The group reported bealtby *recoveries* of non-performing loans in Spain and Mr Bastida said it was bringing loan portfolios of its Latin American units up to "BBV quality standards".

The group has spent about Pta25bn in the first half to pay off goodwill arising from its acquisitions in Mexico, Peru and Venezuela.

It intends to pay off the goodwill on its Colombian unit over tbe next six months.

These allocations could have beeo spread over 10 years under Spanisb regulatory requirements.

However, BBV has chosen to take advantage of its high earnings this year to cancel the goodwill at the earliest opportunity.

The Latin American banks contributed Pta21.1bn to the group's net consolidated profit of Pta83bn.

The sharply higher margins posted by these units allowed BBV to report a 32.6 year-on-year increase in its net interest income to Pta265.4bn.

Nomura to pay Kcs12bn for Czech bank stake

By Vincent Boland

Nomura Securities, the scandal-hit Japanese investment bank, is to pay abont Kcs12bn ($350m) to acquire control of Investicni & Postovni Banka, the troubled Czech bank.

The Czech government yesterday approved the sale of a state-owned stake of 36 per cent in IPB to Nomura for about Kcs6bn in a deal it hopes will kick-start further privatisation of the banking sector. IPB is the country's third-higgest commercial bank hy assets.

The price is equivalent to Kcs285 a share, a premium to yesterday's trading price of Kcs243 bnt well below the year's high of Kcs370.

Nomura will pay another Kcs6bn to increase the capital of IPB. This will eventually take its stake to more than 50 per cent.

Nomura, which has no European retail banking franchise, emerged as the favourite to buy IPB earlier this year against competition mainly from ING of the Netherlands. It is believed to want control of IPB's investment hanking and fund management business. Analysts expect the retail side to be sold off.

The purchase is conditional on the ontcome of an audit of IPB. Many analysts believe the bank needs to make substantial provisions for bad debts. This led to controversy earlier this year, when IPB fired Coopers & Lybrand as anditor because it refused to accept the scale of provisioning required.

Sbortly afterwards, the bank's two top execntives were arrested in connection with an alleged illegal property transaction and were hriefly jailed, although they are now back at their posts pending the ontcome of the case.

Nomura, meanwhile, has been hit hy allegations of payments to *sokaiyo* gangsters, who specialise in disrupting shareholder meetings. The affair has led to the resignations of several senior executives.

Analysts yesterday were surprised at the price pnt on IPB, whose management owns substantial stakes. Mr Jack Schrantz, regional strategist at Raiffeisen Bank in Prague, said the capital increase would result in "a serious dilntion of earnings for the current shareboiders of the bank."

German machine group to float

By Vincent Boland in London

Heidelberger Drnckmaschinen, the German company which is the world's biggest supplier of printing presses, confirmed yesterday it would float 15 per cent of its equity towards the end of this year.

The issue, likely to be one of the biggest by a German company this year, is expected to raise at least DM825m ($451m), either throngh a sale by existing shareholders or a capital increase.

Commerzbank has been named global co-ordinator and book-runner for the issne, with Paribas, Deutsche Morgan Grenfell and Dresdner Kleinwort Benson as lead managers.

The float is expected to be completed in the final quarter of this year.

Heidelberger is currently 57 per cent owned by Lahmeyer, a quoted company in which the utility RWE is the majority shareholder.

Other shareholders in the printing press company include Allianz, Munich Re and Commerzbank, which own just over 39 per cent through Almüco, a holding company.

Heldelberger announced its intention to float at the time of its acquisition last December of Linotype-Hell, a maker of pre-press equipment.

The company was given a market value at the time of DM5.5bn. It had annual sales of DM5bn last year.

The flotation follows that of Pro Sieben, the media group, and is evidence of German companies seeking to raise capital on international equity markets.

Novartis sales rise by 19%

By Daniel Green in London

The weakness of the Swiss franc against the US dollar boosted first-balf sales at Novartis, the Swiss life sciences company.

Sales rose 19 per cent to SFr16.6bn ($11bn) from SFr13.9bn, thanks largely to *its pharmaceuticals side and* in spite of difficulties in its consumer and animal bealtb divisions.

But in local currencies, sales rose only 7 per cent, below the level of many of the company's US rivals.

Novartis shares fell SFr46 to SFr2,400.

Mr Raymund Breu, fioance director, said US sales growth was driving demand for world pharmaceuticals, and European companies such as Novartis were often less exposed than their US rivals to the US market.

The pharmaceuticals division recorded a 23 per cent sales increase to SFr6.9bn. The rise was 10 per cent in local currencies.

The star performer was the cholesterol-lowering drug Lescol, with sales up 71 per cent.

The organ rejection drugs Sandimmun-Neoral remain the most important product, with sales 5 per cent up at almost SFr900m.

The company's strategy of switching doctors from Sandimmun, whicb bas lost patent protection, to an improved but more expensive version of the drug, Neoral, appears to be succeeding. Neoral outsells Sandimmun by two to one.

Consumer health sales declined 4 per cent in local currencies to SFr829m as a result of lower prescribing by budget-strapped doctors in Germany, Europe's biggest market, Mr Breu said.

An 11 per cent local currency decline in animal bealth sales to SFr498m was the result of destocking by distributors, Mr Breu explained.

The full year was likely to see flat sales in the division, *he added*.

The animal bealtb side beld back the agribusiness division as a whole. Sales were up just 4 per cent in local currency terms (16 per cent in Swiss francs) at SFr5.3bn, from SFr4.5bn.

The best performance came from seeds, up 9 per cent in local currencies and 23 per cent in Swiss francs to SFr1bn.

The company's genetically altered maize "enjoyed rapid uptake by the US market", it said.

There was good growth on the nutritional side of the business, with sales up 7 per cent in local currencies and 19 per cent in Swiss francs.

Novartis said its nutrition business was "driven by an outstanding performance in *eastern Europe, central and* Latin America".

The company published only sales figures yesterday; its full results are scheduled to be publisbed on August 28.

EUROPEAN NEWS DIGEST

Eni buys into Albacom

Eni, the Italian oil and gas company, has a agreed to take a 35 per cent stake in Albacom, the telecommunications joint venture involving British Telecommunications, *Banca Nazionale del Lavoro and Italian media group* Mediaset. The deal leaves BT and BNL with a joint 45.5 per cent stake, and Mediaset with 19.5 per cent.

Eni brings to the venture a fibre optic network which will serve Albacom in its plans to become a competitor to the main Telecom Italia operator in the newly-liberalised Italian market. Mr Giuliano Venturi, Albacom managing director, said yesterday the venture could invest up L1,500bn ($844.58m) over the next 10 years if it decides to become a full operator in the domestic fixed telephony business.

Albacom, along with Telenor of Norway, was also considering bidding for Italy's third mobile telephone licence. *It would also become a* "full partner" in the Concert venture of BT and MCI.

Agencies

■ ELF AQUITAINE

Oil group sells Renault stake

Elf Aquitaine, the French oil group, has decided to sell its remaining interest in Renault, the carmaker, in a move likely to raise about FFr500m ($82m). Elf acquired the 2.87m shares, representing about 1.2 per cent of Renault's capital, in November 1994 for FFr179.50 a share. This is just 50 centimes above the price at which the shares closed in *Paris* on *Wednesday night. Elf's announcement* comes in the same week as J.P. Morgan Securities upgraded its recommendation on Renault shares to "buy".

David Owen, Paris

■ BANKING

BPI advances 37%

Banco Português de Investimento, one of Portugal's leading financial groups, increased first-half net consolidated profit 37 per cent from Es8.3bn in the same period last year to Es11.3bn ($73.4m), in line with similar gains by the country's other big banks. Cash flow before tax rose 48 per cent to Es20.5bn. The results are not directly comparable following BPI's Es209.2bn acquisition of Banco Fomento de Exterior last September, which created Portugal's third biggest non-state banking group. Analysts said BPI's income growth reflected trends across the sector, particularly a sharp increase in earnings from lending from Es16.7bn to Es37.2bn. *Peter Wise, Lisbon*

■ TRANSPORT

Balkan Airlines cuts losses

Balkan Airlines, the Bulgarian state-owned carrier, rednced losses by 40 per cent to $10m in the first five months following a financial restructuring designed to prepare for its privatisation next year, Mr Valeri Doganov, managing director, said Balkan's charter operation, which flies foreign tourists to Black Sea resorts and cargo to international destinations, showed a five-month operating profit. *Theodore Troev, Sofia and Kerin Hope, Athens*

■ TELECOMMUNICATIONS

TMN rises 183% to Es5.72bn

Telecomunicaçõ Móveis Nacionais, one of Portugal's two mobile telephone operators, lifted first-half net consolidated profit to Es5.72bn ($37m), up 183 per cent on the same period last year. Turnover rose 97 per cent to Es32bn. TMN, part of the state-controlled Portugal Telecom group, had 431,631 subscribers at the end of June, just over double the total registered a year earlier. This compares with 455,585, subscribers for Telecel, its private-sector competitor controlled by AirTouch of the US.

Peter Wise, Lisbon

■ GREEK SHIPPING

Attica Enterprises buoyant

Attica Enterprises, the Greek passenger ferry operator listed on the Athens stock exchange, reported a 51 per cent increase in first-half net profits to Dr1.62bn ($5.68m) on turnover up 20 per cent to Dr6.81bn. The company's two fast ferries captured a 56 per cent share of passenger and car traffic and 46 per cent of truck traffic on the route linking Patras, in western Greece, with the Italian port of Ancona, the most popular Adriatic crossing with tourists and Greek exporters. *Kerin Hope, Athens*

■ CORRECTION

German banks

The following table lists the top 10 German banks by assets, correcting a graphic which appeared in the Financial Times on Tuesday July 22.

German banks

Ranking by assets, 1996

Rank	Bank	DMbn
1	Deutsche Bank	886
2	Bayerische Vereinsbank/Hypo Bank*	743
3	Bankgesellschaft Berlin/Norddeutsche Landesbank*	565
4	Dresdner Bank	561
5	Westdeutsche Landesbank	471
6	Commerzbank	448
7	Bayerische Landesbank	361
8	DG Bank	332
9	Kreditanstalt für Wiederaufbau	252
10	Südwest LB	213

Source: Company reports. * After merger

COMPANIES AND FINANCE: ASIA-PACIFIC

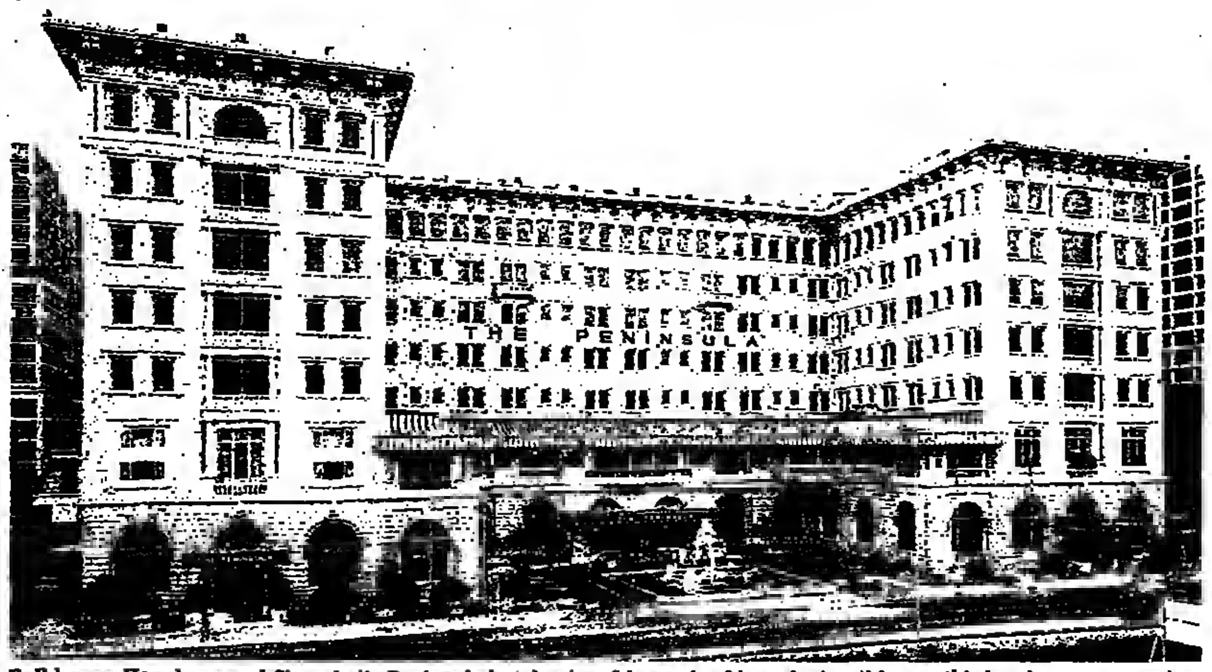
HK hotels group disappoints

By Louise Lucas in Hong Kong

Hongkong and Shanghai Hotels, owner of tha landmark Peninsula hotel in Hong Kong, yesterday disappointed analysts witb a 5 per cent decline in half-year net profits, despite booking the bulk of income generated by the handover.

Hong Kong reverted to Chinese sovereignty on July 1, and hotels such as the Peninsula enjoyed full occupancy during the ceremonies. However, Mr Douglas Webster, finance and corporate services director, said: "It was very thin in the early parts of June, and has been thin ever since."

Net profits fell from HK$435m in tbe first six months of 1996 to HK$412m (US$53m) this year. The group also warned that the second half would see fewer Japanese travellers and the closure of much of the shopping arcade at The Kowloon, the Peninsula's sister hotel in the territory.



Full house: Hongkong and Shanghai's Peninsula botel enjoyed beavy bookings during this month's bandover ceremonies

The results, the first from a botel since the handover, highlight concerns in the industry that tourism could start to fall off after the handover. However, the September IMF/World Bank meetings are expected to boost business.

Tbe group's otber operations, inclnding tbe Peninsula hotels in New York and Beverly Hills, enjoyed a strong six months, the company said. Average room yields increased 15 per cent over 1996, reflecting a buoyant economy and increased business and leisure travel. Peninsula hotels in Bangkok and Jakarta are due to be completed in 1998 and 2000, respectively, while the the Hanoi project bas been reconfigured as a 300-apartment complex to meet growing market demand.

Earnings per share for the six months to end-June were flat at 35 cents, and the interim dividend is beld at 15 cents.

Thai oil group set to delay reserves details

By Ted Bardacke in Bangkok

PTTEP, tbe listed exploration and production subsidiary of the state-owned Petroleum Authority of Thailand, does not expect to announce a large increase in petroleum reserves from the Malaysian-Thai Joint Development Area later this month.

Mr Prajya Phinyawat, president of PTTEP, said that despite successful drilling in tbe JDA, the company did not bave enough time to assess the results in time for the reserves announcement, whicb is usually made every six months.

"We bave drilled a lot of wells, that's for sure. But I'm not quite sure whether we have enough time to study and appraise the figures in time for the deadline. But definitely [the figures from JDA] will show up by the end of the year," Mr Prajya said.

Most analysts valua PTTEP according to its reserve levels rather than its profits. This has led to speculation over the company's twice-a-year announcement. Analysts were surprised earlier this year when probable and possible reserves at the large Bongkok project were halved

With little pressure on its sbare price from profit reports, the company is considering putting all the foreign exchange losses it incurred from the recent flotation of the Thai baht on its accounts this year.

The company has about $330m in foreign debt. However, as all its revenues are in US dollars, the debt is hedged and the group will continue to borrow in dollars without hedging.

"I bate to say it, but if the baht is weaker then there is more benefit to us," Mr Prajya said. "But we have to be more careful with borrowing because wa didn't expect to have an accounting loss at all. Bnt hedging is too expensive."

Mr Prajya sought to allay concerns that PTTEP would lose its advantage in farming-in on natural gas projects if its parent, PTT, lost its monopoly on natural gas purchases and distribution.

"I believe the day will come [wben PTT will lose its monopoly]. But I don't think the current situation is tbe proper time to do that. It's still a sellers' market. To allow the final users to buy gas would mean that only the big users would get access to a supply of gas," Mr Prajya said.

"Small industries and plants won't be able to use the gas. If it is a buyers' market with producers waiting to sell the gas, like in Europe or the US, that would be a good time."

Mr Prajya also said that although PTTEP had an option to farm-in on 11 per cent of the Indonesia's giant Natuna gas project, it was under no obligation to do so even if PTT eventnally decided to buy gas from the project.

Battle lines drawn in Taiwanese telecoms

Chunghwa, the state-owned operator, is bracing itself for private-sector competition

Taiwan's state telecommunications monopoly is preparing for an onslaught of competition from private-sector operators after the introduction a year ago of sweeping reforms in sector.

Chunghwa Telecom, which was spun off as a company from the transport ministry on July 1 last year, will be forced to improve its services at home merely to remain competitive, but is relying on overseas markets for growth.

Mr Steven Chen, chairman, says Chunghwa is seeking foreign alliances and an overseas presence.

"We want to create strategic alliances to take advantage of business opportunities overseas, either through joint ventures or exchange of sbareholdings," he says. "There is so much private-sector competition coming in and the local market will be very crowded."

Chunghwa is in talks with Hongkong Telecom and Singapore Telecom over possible alliances, Mr Chen says.

The company will set up an office in Hong Kong on August 1 and later in Thailand and Europe, having opened offices in Washington and Tokyo in March.

In January last year, Taiwan passed laws liberalising the telecommunications industry, ending the stata monopoly and lifting a ban on foreign investment.

The reforms also called for the government's telecoms authority to be broken into two parts, regulatory and operations – hence the establishment of Chunghwa Telecom and a separate regulatory agency nnder the transport ministry.

Wireless communications have already been opened to the private sector. Eight bidding groups won cellular phone licences earlier this year, and are expected to begin services by the end of thia year. Pager licenses have also been awarded.

In 2000, fixed-line services for local, long-distance and international calls will also be opened to the private sector through competitive bidding.

Chunghwa is to be listed on the Taiwan stock exchange in two or three years and privatised within five. State holdings will then fall below 50 per cent.

> 'The government is giving no special benefits to Chunghwa,' says Mr Steven Chen, the group's chairman and architect of the reforms in the country's telecoms industry

As a wholly state-owned enterprise and the market'a biggest provider, Chunghwa has advantages over its private-sector competitors. It owns the country's fixed-line network, so new providers must go through Chunghwa to provide services.

Private-sector operators also complain that the government telecoms regulator, from which Chunghwa was spun off, favours the state telecoms group.

"Taiwan's telecoms regulations are being dictated by Chunghwa," according to a new domestic operator that won a mobile-phone licence for northern Taiwan.

This is denied by Mr Chen, who says that the government is actually favouring private companies, as it wants to help them become competitive quickly. "The government is giving no special benefits to Chunghwa," he says.

In his previous post – chairman of the Directorate-General of Telecommunications, the pre-liberalisation regulator-cum-operator – Mr Chen was the architect of the industry's reforms.

He says Chunghwa must shoulder burdens that are not sbared by the private sector but which will hamper its ability to compete.

As a corporation, Chunghwa must pay tax, yet as a state-owned company its operations are subject to legislative scrutiny, and procurement must follow government regulations and be put out to tander.

It must also provide services to rural areas and outlying islands at a loss.

Moreover, Chunghwa's 36,000 employees are civil servants, so recruitment and promotion are subject to the civil-service system.

"The efficiency of civil servants is not so good compared with the private sector," Mr Chen says. "And by law we cannot fire a single employee."

It has also to rationalise pricing. For example, 80 per cent of Chunghwa's investment goes on local networks, bnt these generate only 30 per cent of revenues. Below-cost local calls are subsidised by more expensive cellular rates.

China Development, a Taiwanese venture capital backed by the ruling Nationalist party, has been hired as privatisation consnltant and is preparing a report to be released at the end of October.

Laura Tyson

ASIA-PACIFIC NEWS DIGEST

Ekran fails to win concessions

Problems between ABB, the Swiss-Swedish engineering group, and a Malaysian company over the construction of south-east Asia's biggest hydro-electric dam remained unresolved yesterday in spite of hours of intense negotiations. Mr Ting Pek Khiing, chairman of Ekran, the Malaysian company overseeing the project, said that the two sides bad held a good meeting and discussed minor issues, but after almost a day in discussions, the contractual problems could not be resolved.

Industry sources said the differences between Ekran and ABB, the lead contractor for the 2,400MW dam's construction, were anything but trivial. They involve the size of the contract, which bas beeo inflated significantly for the Malaysian side by the sharp depreciation of the ringgit, Malaysia's currency, against the US dollar over tbe past three weeks. The cost of the project had been estimated at M$13.6bn ($5.16bn), although this may be altered at the end of the negotiations, the sources said.

The discussions centred on Ekran's attempts to renegotiate an improved deal, the sources said. Ekran, which suffered a disastrous rights issue in June, has been experiencing difficulties raising the funds required to buy its proposed 32 per cent stake in Bakun Hydro-electric, the company which is to operate the dam.

Ekran's failure to raise sufficient funds has been responsible in part for the delay in Bakun Hydro-electric's market listing, originally scheduled for June. Analysts said it may also be behind the company's hope to negotiate a revised, cheaper contract.

Mr Ting was confident that all outstanding questions could be settled at further negotiations in two weeks.

James Kynge, Kuala Lumpur

■ CHEMICALS

Dow, Mitsubishi end venture

Mitsubishi Chemical and Dow Chemical bave agreed to end a nine-year joint venture producing polyurethane materials, to focus more closely on their own areas of specialisation. Mitsubishi Chemical will sell on October 1 its 50 per cent stake in Dow Mitsubishi Chemical to Dow Chemical, which will continue most of the joint venture's activities. Mitsubishi will take on the production of polyurethane rigid foam for the construction industry. The two companies plan to start a new joint venture in August. *Bethan Hutton, Tokyo*

■ BANKING

NAB advances to A$1.64bn

National Australia Bank said net profits in the nine months to June 30 rose from A$1.5bn a year ago to A$1.64bn ($1.2bn). Operating profits rose 6.9 per cent to A$11.9bn. However, in the quarter to June operating profits fell from A$557m to A$504m. For the nine months, European operations rose 34.7 per cent to A$347m, but Australian operations were flat at A$1.01bn.

Mr Don Argus, managing director, said the continued pressure on margins in Australia meant the bank would have to address the need to gain a better balance between interest and non-interest or fee income. He added that while Australia's finance sector was more open and competitive than most Asian nations, appetite was lacking for the type of reforms which would make the industry a global leader. NAB bas argued for a more deregulated environmeot which would open the market to competition from non-banks and allow hig bank mergers.

AFX-Asia, Sydney

■ PHILIPPINES

Indonesian bank to open office

Bank Internasional Indonesia (BII) has been granted approval by the Philippine Central Bank's Monetary Board to set up a representative office in the Philippines. BII is Indonesia's third largest bank, with consolidated assets of $7.5bn at December 1996. It is the 29th foreign bank to have a representative office in the Philippines. Representative offices are permitted to promote banking services to foreign investors bnt may not execute transactions. *Nery Tenorio, Manila*

■ BREWING

Foster's wins buy-back approval

Shareholders in Foster's, the Australian brewer, have approved the A$625m ($460m) buy-back of shares previously held by Asahi Beer, of Japan. The buy-back, which represent a 13 per cent stake in Foster's, would not mean a rednction in dividends, Mr John Ralph, chairman, assured shareholders. The company's gearing will increase from 35 per cent to 70 per cent as a result of the purchase, but Mr Ted Kunkel, chief executive, said it would not be an impediment to acquisition opportunities.

Foster's expected Philip Morris of the US to sell its 20 per cent stake in Canada's Molson Breweries to both Foster's and Molson. Foster's and Molson have an option to buy the Philip Morris stake, beld by subsidiary Miller Brewing, on a 50-50 basis.

Following the exit of Asahi representatives from the company board, new directors will be elected at the company's annual meeting in October. *AFX-Asia, Sydney*

COMPANIES AND FINANCE: UK

Kingfisher could bid £200m for BUT

By Christopher Price

Kingfisher, the UK retail group, was yesterday forced by the Paris stock exchange to disclose it is in talks that could laad to a £200m ($334m) bid for BUT, a French electrical and furniture chain.

Kingfisher, which already has 26 per cent of BUT, said it was negotiating with Mr Michelle Venturini, its chairman and chief executive, about the 30 per cent stake controlled by his family.

The UK group said that should the deal go ahead, it would consider making a bid for the remaining 44 per cent.

Rumours of the discussions had leaked into the French market, prompting a sharp rise in BUT's share price and the action by the French stock exchange.

However, when Kingfisher said that it would not pay more than FFr300 ($49) a share – valuing the 74 per cent of BUT not owned by the UK group at £200m – BUT shares fell by FFr29 to close at FFr309.

The Venturini family sold Kingfisher its original stake for £59m 18 months ago in a move which took two of the UK group's directors on to the BUT board.

It also extended Kingfisher's interests in France where it already owns the Darty electrical retail chain. In the UK, Kingfisher owns the Comet and Woolworth businesses.

BUT made net profits of FFr108m on sales of FFr2.16bn last year. It operates from 235 stores across France, although only 50 are wholly owned.

Kingfisher said it would finance any acquisition from existing resources. At the January 31 year-end net debt was £400m and gearing 28 per cent.

Analysts said the move would push gearing up to 34 per cent and would be earnings dilutive. Some were also cautious over the market position of BUT which targets the lower end of the consumer market.

There were also concerns over tha French economy, where Darty has struggled to improve profits since being acquired by Kingfisher. However, the strength of sterling against the French franc was seen as adding a positive element to any deal.

Kingfisher stressed that negotiations with the Venturini family were at an early stage.

Kingfisher's shares fell 15p to 701½p.

Cookson resolves succession

By Kenneth Gooding

Senior management changes announced yesterday by Cookson will lead to the departure of Mr Donald Carcieri, joint managing director, at the end of this year.

The industrial materials group said Mr Richard Oster, 62, chief executive, would become chairman in October in succession to Mr Robert Malpas. Mr Stephen Howard, 44, would take over as chief executive.

Mr Carcieri, 54, the unsuccessful candidate for the chief executive's role, is on a rolling two-year contract. His basic salary last year was £383,000 and total emoluments £656,000 ($1.1m). Mr Richard Malthouse, group secretary, said Mr Carcieri's compensation would be decided by the remuneration committee. Analysts said be had developed the electronics and plastics operations and would be missed. One said, bowever: "It was more important to have sorted out tha management succession."

Cookson yesterday reported flat half-year pretax profits of £85.4m before exceptionals. Including last time's £16m net loss on disposals, profits jumped from £69.2m to £85.4m.

Mr Malpas said all divisions, apart from the CMC ceramics joint venture with Johnson Matthey, achieved higher sales and operating profits. The biggest gain came in advanced refractories which lifted profits 34 per cent to £25m, belped by Monofrax, bought late last year. CMC, in contrast, halved to £4.8m reflecting the squeeze on margins in its zircon business.

Turnover improved from £932.7m to £990.3m.

The shares rose 8½p to 223p.

Brendan Corr

Stephen Howard, left, and Richard Oster

Investors may urge BT to quit MCI deal

By Virginia Marsh and Paul Taylor

Some leading institutional investors in British Telecommunications are considering writing to the company to urge it to pull out of its planned takeover of MCI if the terms cannot be renegotiated.

"The deal is unacceptable on current terms," one of BT's largest shareholders said yesterday. "Tha price must be renegotiated downwards in a meaningful way. Otherwise, we expect BT's management to walk away from the deal. They are wrong if they think they can just steam-roller this deal through if major shareholders are against it."

The fund manager was ona of several who said their institution bad made its views clear to BT in telephone conversations but was now considering putting them in writing.

Many institutional investors said, before deciding their position, they were waiting for fresh information from BT on the state of MCI's finances and the legal provisions of the offer.

"There's no point shooting from the hip and making a load of threats until we know all the facts," one said. Wall Street analysts have warned that renegotiation is precluded by the terms of the deal and that BT would face serious legal repercussions if it pulled out.

Under a deal struck last November, MCI shareholders would receive 5.4 BT shares plus $6 in cash for each MCI share – then valuing the cost of the offer to BT at about $20bn (£11.9bn).

Based on BT's closing price last night of 419p, down 11p, the offer is now worth about $39.75 per share or a total of $23.6bn.

However, another UK fund manager said yesterday it would still be preferable for BT to pull out rather than overpay for MCI.

"A lawsuit might drag on for years but it would be a better solution than going through with a deal that fundamentally overvalues MCI," ba said.

The comments came as a BT team led by Mr Robert Brace, finance director, continued a review of MCI finances in Washington. This follows the surprise announcement two weeks ago that the US carrier would make losses of about $800m following efforts to break into the US local telephone market.

However, BT has this week downplayed earlier suggestions that the Washington review represented an attempt at renegotiation. It said yesterday it was still unclear how long the review, which began on Monday, would last.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Banks (Sidney C)	Yr to Apr 30	323.8	(261.6)	4.24♠	(4.47♥)	28.4	(33.5)	7.25	Oct 3	7	11.05	11
Bensons Crisps	6 mths to May 31	16	(15.9)	0.615	(0.555)	1.12	(1.09)	0.375	Oct 1	0.25	-	1
CLM Insurance	6 mths to June 30	-	(-)	1.5	(1.3)	1.17	(1.08)	1.63	Aug 29	1.5	-	10.78
Cookson	6 mths to June 30	990.3	(932.7)	85.4	(69.2♠)	8.7	(6.5)	4.1	Dec 2	3.9	-	8.6
Delyn Φ	Yr to Jan 31	1.88	(19.1)	0.268	(5.93♥)	2.22	(52.63)	1.5	Sept 1	1.5	2	2♦
Euclidian	Yr to Mar 31 §§	2.63□	(2.49□)	0.861	(0.683)	2.19	(2.33)	-	-	-	2	1
Eve Φ	Yr to Mar 31	87.4	(81.8)	1.52	(4.8L)	10.4	(35.1L)	3	Sept 23	nil	4.5	1
ICI	6 mths to June 30	4,987	(5,297)	159	(280♠)	11	(16.4)	12.5⚲	Oct 6	12.5	-	32
Inspirations	6 mths to Mar 31	125.9	(132.1)	11.71L♥	(13.3L)	24.57L	(26.38L)	nil	-	0.78	-	0.78
Jones Stroud	Yr to Mar 31	61.3	(61.2)	5.57♠	(6.59♠)	21.1	(25.5)	5.75	Oct 10	6.5	11	10.5
Total Office Φ	6 mths to May 31	30.8	(23)	1.61	(1.21)	6.8†	(5.5)	0.7	Sept 12	-	-	-

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Abtrust Preferred	Yr to May 31	82.9	(81.29)	3.36	(3)	17.67	(15.79)	7.25	#	4.25	17	14
Bata Global	6 mths to June 30	-	(-)	0.464L	(0.433)	0.8L	(0.8)	-	-	-	-	-
Edinburgh Java	6 mths to June 30	40.79	(41.72)	0.0671L	(0.03L)	0.22L	(0.1L)	-	-	-	-	nil
FP Ethical	6 mths to June 30	57.01	(78.16)	0.667	(0.893)	4.08	(4.13)	3.25	Oct 14	3.15	-	7.05
Second St David's	6 mths to May 31	95	(-)	0.695	(-)	8.48	(-)	5	#	-	-	-

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ΦAim stock. ♦Excludes 8p special. □Total income. §§Comparatives for 17 months. ⚲Foreign income dividend. #Already paid.

Carlson in £42m bid for Inspirations

By Scheherazade Daneshkhu

Shares in Inspirations jumped 16 per cent yesterday after Carlson Companies, the Minneapolis-based travel business, made a £42m ($70m) agreed bid for the package holiday group.

Carlson, which entered tha UK in 1990 with the purchase of the AT Mays travel agency chain, has ambitious plans for growth both in the UK and US.

The privately owned group, which had turnover of $4.9bn in 1996, has earmarked more than half its capital budget for acquisitions and expansion. It aims to buy up more UK travel agents and tour operators.

The cash offer values Inspirations' ordinary shares at 75p, a 22 per cent premium to the share price on July 23. The price equates to a 1996 p/e of 5.6, excluding flight delay and disruption costs of £17m in the year to September 1996.

Shares in Inspirations, which floated on the USM at 100p in 1993, rose 10p to close yesterday at 71½p.

Inspirations, which has 4 per cent of the tour operating market, recommended tha offer because the costs of tha peak season delays last year had "seriously weakened the company's financial ability to continue successfully the implementation of its previously declared strategy to grow tha group".

The company has raised £19m in two rights issues since flotation. It said Carlson's offer would enabla it to grow as part of a larger group.

Management of Inspirations, which owns 39.4 per cent of the ordinary shares, will receive £16.5m from the deal. Mr Vic Fatah, chief executive, will receive £4.3m for his 10.3 per ceot stake and £200,000 for the termination of his contract.

Inspirations yesterday also announced improved first-half results. Pre-tax losses in the six months to March 31 fell to £11.7m (£13.3m) on turnover down 5 per cent to £125.9m.

Arnault on charm offensive

The LVMH chairman is attempting to woo the City. David Blackwell reports

Detractors of Mr Bernard Arnault like to portray him as a Gallic corporate Machiavelli. His edmirers suggest he is simply a touch more creative than the managerial mainstream by whom he is habitually opposed.

For years the debate was conducted across the lunch tables of tha French business elite. But since Guinness and Grand Metropolitan of the UK announced plans for a £24bn merger to create the world's biggest wines and spirits business on May 12, Mr Arnault has begun playing financial poker in the dealing rooms of the City of London.

Yesterday the chairman of the LVMH luxury goods group launched a charm offensive on the institutions. He is trying to swing opinion away from the initial enthusiasm for the merger and towards his own plans to create a world player in the wine and spirits markets that includes Moët Hennessy, LVMH's brandy and champagne subsidiary.

His reputation for shrewd corporate manoeuvring precedes him, end he will find many institutions wary. One said he would have trouble justifying the value he wants to attribute to LVMH in the merger.

But there is no denying Mr Arnault is speaking from a position of strength. Earlier this week he doubled his stake in GrandMet to just over 11 per cent while retaining almost 12.5 per cent of Guinness.

"Tha reason I took the stake in GrandMet is quite simple – to put pressure on the Guinness and GrandMet managements. I cannot just sit there, relax and say 'well, can we talk?'" he said. He added thet he could not see how the original merger would proceed as planned.

He has prepared bis ground well, with a number of highly publicised moves, including resignation from the Guinness board. Yesterday LVMH said it had identified under its proposals further cost savings of £65m above the £175m thet Guinness and GrandMet said would rasult from the merger.

Mr Arnault is determined to force the creation of a wine and spirits group from GrandMet's International Distillers and Vintners, Guinness's United Distillers and Moët Hennessy.

The business, worth more than £18bn and quoted in London and Paris, would be one of the biggest in the UK and in the FTSE 100.

Detailed proposals were in an 18-page document submitted to Guinness and GrandMet last week. The two groups – or GMG Brands, as the conglomerate would be known – do not deny great benefit would be derived from deeper collaboratioo with the three drinks businesses. But they dispute Mr Arnault's assertion that a simultaneous demerger of GMG's food, fast-food and brewing businesses would release further shareholder value.

Mr Arnault said that in his years on the Guinness board he had tried to convince the group that a demerger of the brewing side was in the best interests of shareholders. It now made no sense to create an even more diverse conglomerate by adding GrandMet's Pillsbury food business and Burger King chain.

The whole logic of the deal was combining the wine and spirit businesses – "and we are ready to add Moët Hennessy and create the finest wine and spirit group in the world".

Mr Arnault has proposed to swap his stakes in Guinness and GrandMet, together with his 66 per cent share in Moët Hennessy, for 35 per cent of the merged drink business.

However, he will tell institutions that he is open to talks on the size of his stake. "I am prepared that the value added is shared," he said, adding "as long as the financial entity is quoted we are happy".

In addition to the £65m savings, Mr Arnault argued that the merged businesses would generate an extra £65m sales by taking GrandMet brands into the joint distribution ventures between LVMH and Guinness.

Mr Arnault said he was prepared to negotiate on many things, including taking a stake in the demerged businesses. The only thing that was non-negotiable was that the merged drink business should be independent.

Meanwhile, he made it clear that he would probably not use the so-called "nuclear option" of calling emergency meetings at Guinness and GrandMet.

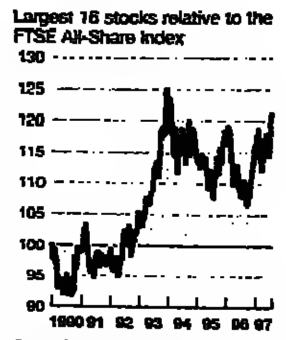
He will be happy just to wait while tbe pressure mounts.

LEX COMMENT

Scotland

Scottish equities

Largest 16 stocks relative to the FTSE All-Share index



Source: Datastream/ICV, FT

Scotland's people are likely to back devolution with a hearty "aye". Its business community, by and large, would rather just say oo. But given the political momentum, most companies are resigned to its introduction aod mainly concerned with minimising the costs. On that score, yesterday's government white paper could have been much worse. Westminster is retaining control of competition policy, financial regulatioo and employment legislation, which should ensure the continuation of a level playing field throughout the UK. Gone, for instance, is the notion that takeovers would have to be vetted by the Scottish parliameut as well as the Monopolies Commission. Cooversely, the transfer of responsibility for inward investment should allow Scotland to become even more competitive in an area where it has had considerable success.

The main uncertainty relates to the proposal to give the new parliament powers to vary income tax. Raising tax rates could raise up to £450m, but would peoalise Scotland's 250,000 unincorporated small busioesses. It might also force large corporates to compensate staff wheu they transfer them north. But if Edinburgh cuts income tax, it will give the Treasury an excuse to reduce its £14bn annual block grant – Scotland's main source of revenue. As the chart shows, Scottish businesses have outperformed their UK brethren this decade. These proposals should not be enough to reverse that, but they are a hindrance rather than a help.

NEWS DIGEST

BA strike loss put at £80m

British Airways has lost about £80m ($134m) as a result of the three-day strike by cabin crew earlier this month, according to UBS, the airline's house broker.

Other aviation analysts generally agreed with the figure, although some put the loss at £100m. The cost of discounts used to entice disgruntled passengers back after the strike would have to be included and it was difficult to calculate how much of this price-cutting would have taken place anyway.

BA refused to comment on the UBS figure, although the company had previously said the cost of the strike would be "tens of millions". Last year's threatened strike by BA pilots, which was averted without flights being cancelled, cost the airline £15m in lost profits.

UBS said currency factors, particularly the weakness of the D-Mark and the Japanese yen, would cost BA an additional £80m in the current year. The result would be to reduce pre-tax profits before disposals to £580m for the year to March 1998 compared with £640m.

BA would, however, benefit from two disposal gains. The sale of its stake in US Airways earlier this year would bring in £130m in additional profits, UBS said. BA's decision to sell 45 per cent of its stake in Galileo International, the computer reservations system, would yield an additional £20m, resulting in profits after disposals of £730m.

● BA said yesterday it had begun research into how it could compete with low-cost carriers and was likely to examine the possibility of starting a no-frills airline of its own. The company said it had appointed HHCL and Partners, an advertising agency, to conduct research into the European leisure travel market. *Michael Skapinker*

Willis Corroon's French deal

Willis Corroon, the insurance broker, yesterday announced that its planned purchase of a 31.7 per cent stake in Gras Savoye & Cie, France's largest independent broker, would cost it a net FFr423m ($69.6m).

As part of the deal Willis Corroon will transfer its current French operations, Willis Corroon France, to GS Euro Finance, a subsidiary of Gras Savoye. Willis will have 33.36 per cent of the voting rights in Gras Savoye. It also has call options, which will enable it to increase its interest to more than 50 per cent after 12 years.

Biovector placing

Biovector Therapeutics, the French biotechnology company which is set to seek a London stock market listing next year, has raised $18m in a private placing of its shares. The placing values the company at about $60m on a fully diluted basis. Biovector is developing ways for improving the delivery of drugs such as proteins and vaccines.

The private placement has introduced new investors from France, the UK, Canada and Switzerland including London-based Mercury Asset Management in only its fourth pre-flotation biotech investment. The placing was led by Dresdner Kleinwort Benson and was originally intended to raise between $12m and $15m, said Biovector. *Daniel Green*

Investment for Cubist

International Biotechnology Trust, managed by Rothschild Asset Management, has committed $5m as the lead investor in a $6m funding of Cubist Pharmaceuticals, a small US biotech company working on drugs to treat antibiotic-resistant bacteria.

INTERNATIONAL CAPITAL MARKETS

Interest rate doubts send Europe lower

GOVERNMENT BONDS

By Vincent Boland

European bond markets gave up some ground yesterday, as profit-taking and doubts over the immediate interest rate environment in Germany and the UK sent bond prices lower.

A choppy opening session in US Treasuries did not help the mood. But analysts said that after the strong gains seen earlier this week on the back of comments by *Mr Alan Greenspan, the* chairman of the US Federal Reserve, and European monetary union convergence theories in Italy and Spain, a retreat was inevitable.

They also noted that bond markets were heading into a quiet week, with little data to guide the immediate direction of prices.

Mr Kit Juckes, of NatWest Capital Markets, said the main factor in European markets yesterday was currencies, with the foreign exchange markets seemingly "hell-bent" on pushing the D-Mark down to a level against the US dollar where it would become a "source of concern" to monetary policymakers.

Speculation that the Bundesbank might revert to a variable-rate repo from a fixed-rate, which undermined GERMAN BUNDS, "would be a signal that there is a turn in the interest rate cycle" at a time of "historically very low yields", Mr Juckes said.

The Bundesbank left rates unchanged yesterday at the last council meeting before the summer holiday season, and opinion is divided on whether it will, or needs to, raise rates to prop up the D-Mark. Bunds slid in sympathy, with the September bond futures contract settling 0.53 lower at 103.05.

UK GILTS were also looking to interest rate developments. Ms Joanne Collins, gilts economist at Nomura, said the market was "seeing some reassessment of how high rates can go," with earlier predictions of another 0.5 per cent upward run now being revised down, given the *strength of sterling.*

This saw investors moving into five-year gilts yesterday, with the short end weak in line with other European markets. The September future settled at 115$\frac{21}{32}$, down $\frac{1}{32}$. Analysts generally agree that one more interest rate rise awaits, though it remains to be seen – after *second-quarter* GDP figures due out today – whether that will be in August or September.

ITALIAN BTPs, which soared earlier in the week on European monetary union optimism, fell modestly, with the September future settling down 0.15 at 137.89. The spread over bunds widened to 83 basis points.

It was a similar story for SPANISH BONOS, which ended 0.22 down at 118.01 in *thin trading ahead of* a *long* weekend.

FRENCH BONDS, which had reached record levels on Wednesday but failed to hold them, also shed some gains, with the September notional bond future settling in Paris at 130.78, down 0.24.

US Treasuries show little change after losing early momentum

US Treasuries strengthened in morning trading, but had lost their momentum by early afternoon, John Labate writes from New York.

The benchmark 30-year bond rose just $\frac{1}{32}$ to 102½, yielding 6.430 per cent. The two-year note was unchanged at 100, yielding 5.858 per cent and the 10-year Treasury note was also unchanged at 103$\frac{7}{32}$, yielding 6.143 per cent.

The market continued to drift within the range reached after Tuesday's rally, sparked by Mr Alan Greenspan's speech on the US economy. The Federal Reserve chairman's Humphrey Hawkins testimony left the market bullish.

Some analysts expect strength in the market to continue, with no interest rate moves by the Fed at its August or September meetings.

"We still have very bullish sentiment and that should continue for the next three or four months," said Mr Mr Patrick Ledford, at Citibank Global Asset Management in New York. Treasuries have also been boosted by a sharp drop in supply, as the US Federal budget deficit has continued to shrink.

"The typical note and bond auction is about $2bn less than its peak in the first half of 1996," said Mr M. Cary Leahey, at High Frequency Economics.

Welcome Break to raise £321m

By Edward Luce

Welcome Break, the UK motorway *services group,* is to issue £321m worth of asset-backed bonds within the next two weeks.

Proceeds from the issue will refinance a loan taken out by Investcorp, the Bahrain-based investment company, to acquire Welcome Break earlier this year.

Officials at Chase Manhattan, joint lead manager with Bankers Trust, described the bond as a "hybrid" asset-backed deal.

The four-tranche issue will be backed by cash flows from Welcome Break's operations.

However, the bond will be issued directly by the Welcome group rather than a special-purpose vehicle, as is usual with asset-backed deals.

The £321m bond will be split into two floating-rate and two fixed-rate tranches.

The two floating-rate tranches, which have been assigned credit ratings of single-A by Standard & Poor's and Duff & Phelps, will comprise a 10-year £42m portion and a 30-year £72m portion.

The £140m 18-year fixed rate offering has also been rated single-A. The 20-year £67m tranche will cover the subordinated part of the offering and is graded at the lower rate of BBB.

The company said that pricing would be "relatively generous" in order to attract investors.

"This won't be priced as widely as a high-yield issue, but on the other hand it will offer a wider spread than on standard A-rated deals," it said.

Record corporate global from Hutchison Whampoa

INTERNATIONAL BONDS

By Edward Luce and Greta Steyn

Hutchison Whampoa, the Hong Kong blue chip, entered the record books yesterday with the largest global dollar bond issue by a non-sovereign borrower.

The $2bn four-tranche deal – double the size originally planned – was more than three times oversubscribed, according to officials. The issue was split into 10-year $750m, 20-year $500m, 30-year $500m, and 40-year $350m (with a put after 12 years) tranches.

Officials said "overwhelming" demand had allowed them to price the deal "significantly tighter" than planned to yield 82 basis points, 99 points, 109 points and 83 points over equivalent Treasuries, respectively.

"We see this response as a very strong endorsement of Hong Kong by the international investment community," said Mr Bill Shurniak, group finance director of Hutchison. Most longer-dated paper went to US institutions, with Europe and *Asia taking about half of the* 10-year tranche between them. Officials said the response had been underpinned by the strong rally in US Treasuries.

CIBC WOOD GUNDY became the first Canadian bank to launch subordinated floating-rate notes in the eurobond market with a $300m 15-year issue.

The deal has a step-up coupon after 10 years, when it is "callable" by the borrower. CIBC Wood Gundy, sole book-runner, said it was priced at 35 basis points above three-month London interbank offered rate, rising to 135 points when the bond became callable.

The bank, Canada's second largest, started off with a $250m issue but strong demand from institutional investors in continental *Europe and Asia* enabled it to increase the issue.

Mr Mike Wittich, director of new issues at CIBC Wood Gundy in London, said the deal's rarity and the bank's credit rating for subordinated debt of A1/A+, had caught investors' attention. Its unusual structure was the result of Canadian banks' capital requirements.

TVA (Tennessee Valley Authority) saw sufficiently strong demand for its 28-year dollar offering to raise it from $500m to $750m. An official at Lehman Brothers, sole book-runner, said the issue was a reopening of the TVA's global dollar bond, which brought the total to $1.35bn. He said the bond, priced at 27 basis points above US Treasuries, had been distributed to a good cross-section of investors. *The TVA's AAA credit rating* and the solid performance of the outstanding paper had fuelled demand.

ST GEORGE BANK, Australia's fifth largest, tapped the eurosterling market for the first time with a £250m floater.

UBS, joint lead with BZW, said the bank wanted to diversify its investor base, having issued in US dollars and D-Marks. The deal was priced at re-offer to yield 12 basis points over Libor.

● The City of Moscow is planning to follow up its debut eurobond earlier this year with another $500m offering in the autumn.

Other emerging market entities to have pencilled in offerings after the summer break include Kazakhstan, which made its debut last year, and possibly Ukraine, along with a host of Russian and Latin American corporates.

"From where we're standing the first week of September is going to be very lively," said one official.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Aesop Funding II, A1(a1,s)★	800	6.22	100.00R	Oct 2000	0.51R	+39(6%May00)	Lehman Brothers
Aesop Funding II, A2(a2,s)★	850	6.40	99-31+R	Oct 2002	0.51R	+45(6%Jul02)	Lehman Brothers
FUSA, 97-5, Class A(b)‡	650	(b1)	100.00	Aug 2004	0.35	-	JP Morgan Securities
CIBC Wood Gundy(c)‡	300	(c1)	99.85R	Aug 2012	0.45R	-	CIBC Wood Gundy
World Bank	300	6.00	99.9625R	Aug 2000	0.1875R	flat(6%%-00)	Commerzbank
Bankers Trust NY Corp‡	300	(d)	99.99R	Aug 2000	0.15R	-	PaineWebber/UBS
European Investment Bank	200	6.125	99.776R	Aug 2004	0.20R	+4(6%Jul02)	IMI Bank Luxembourg
D-MARKS							
Yorkshire Building Society‡	150	(e)	100.042	Aug 2004	0.20	-	UBS Germany
STERLING							
St George Bank‡	250	(f)	99.768R	Aug 2002	0.175R	-	BZW/UBS
Merrill Lynch & Co(g)	75	(g1)	99.875R	Jul 2002	0.175R	-	Merrill Lynch Intl
SWISS FRANCS							
Merrill Lynch & Co‡	150	(h1)	100.00	Aug 2000	0.10	-	Merrill Lynch Cap Mkts
Merrill Lynch & Co‡	150	(h2)	100.00	Aug 2000	0.10	-	Merrill Lynch Cap Mkts
ECU							
Abbey Natl Trsy Services	150	4.125	99.93R	Aug 1999	0.10R	-	CCF
PESETAS							
Hamburgische Landesbank(i)	10bn	5.44	100.90	Sep 2001	1.00	-	Argentaria/BBV/BNP
GREEK DRACHMA							
Merrill Lynch & Co	12bn	9.40	99.86R	Aug 2002	0.30R	-	Caripio/Merrill Lynch

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) Originator: Avis Rent-a-Car. Monthly coupons. a1) Legal maturity: 20/10/01. Av life: 3 yrs. a2) Legal maturity: 20/10/03. Av life: 5 yrs. b) First USA Credit Card Master Trust. Legal maturity: 17/4/07. Av life: 7.08 yrs. b1) 1-mth Libor +14bp. b2) Class B: $58.735m, 1-mth Libor +33bp, par. c) Callable from Aug 07 at par. c1) 3-mth Libor +35bp to Aug 07, then +135bp. d) 3-mth Libor +6¼bp. e) 3-mth Libor +10bp. f) 3-mth Libor +6¼bp. g) Fungible with £300m. Plus 29 days accrued. g1) 3-mth Libor +7½bp. h1) 3-mth Libor +6¼bp. h2) 6-mth Libor +6¼bp. i) Callable on 10/9/98 at par. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	10/07	126.2456	+0.430	6.45	6.55	6.98
Austria		5.625	07/07	100.3800	-0.080	5.57	5.61	5.65
Belgium		6.250	03/07	104.5900	-0.230	5.62	5.64	5.78
Canada *		7.250	06/07	109.7700	-0.110	5.92	5.90	6.13
Denmark		7.000	06/07	107.1500	-0.100	6.04	6.10	6.18
France	BTAN	4.750	03/02	100.5050	-0.290	4.62	4.56	4.58
	OAT	5.500	04/07	100.8500	-0.230	5.38	5.42	5.56
Germany Bund		6.000	07/07	103.4600	-0.150	5.54	5.58	5.68
Ireland		8.000	08/06	111.4500	-0.240	6.30	6.33	6.52
Italy		6.750	02/07	103.1800	-0.320	6.30†	6.42	6.94
Japan	No 148	5.800	06/02	119.3136	+0.150	1.50	1.56	1.61
	No 182	3.000	09/05	105.6972	+0.190	2.21	2.28	2.38
Netherlands		5.750	02/07	102.0200	-0.140	5.47	5.50	5.56
Portugal		9.500	02/06	122.0200	-0.020	6.11	6.12	6.27
Spain		7.350	03/07	108.5000	-0.070	6.14	6.13	6.35
Sweden		8.000	03/07	111.6571	+0.150	6.39	6.49	6.76
UK Gilts		7.000	06/02	99-28	+1/32	7.04	7.13	6.90
		7.250	12/07	102-04	-6/32	6.96	7.03	7.02
		8.000	10/08	115-16	-7/32	6.98	7.08	7.08
US Treasury *		6.625	05/07	103-14	-7/32	6.15	6.16	6.40
		6.625	02/27	102-18	-9/32	6.43	6.48	6.70
ECU (French Govt)		5.500	04/07	97.9200	+0.090	5.76	5.86	5.84

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: Standard & Poor's MMS.

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
Prime rate	8½	One month	-	Two year	5.86
Broker loan rate	7¾	Two month	-	Three year	5.92
Fed.funds	5½	Three month	5.20	Five year	6.04
Fed.funds at intervention	-	Six month	5.35	10-year	6.13
		One year	5.51	30-year	6.41

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	130.92	130.78	-0.24	131.18	130.66	17,076	208,404
Dec	99.74	99.68	-0.12	100.02	99.74	2,012	5,953
Mar	99.14	99.08	-0.12	99.14	99.14	2	-

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Aug	CALLS Sep	CALLS Dec	PUTS Aug	PUTS Sep	PUTS Dec
126	5.02	5.02	-	-	0.01	-
127	4.02	4.03	-	-	0.02	-
128	3.02	3.08	-	-	0.07	-
129	2.02	2.16	-	-	0.15	-
130	1.07	1.35	-	0.05	0.38	-

Est. vol. total, Calls 14,259 Puts 10,567. Previous day's open int., Calls 111,999 Puts 147,113.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	103.20	103.05	-0.17	103.48	102.95	219735	276099
Dec	102.33	102.13	-0.15	102.55	102.15	1271	10668

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	CALLS Dec	PUTS Aug	PUTS Sep	PUTS Oct	PUTS Dec
10300	0.05	0.62	0.50	0.86	0	0.57	1.32	1.68
10350	0	0.39	0.34	0.67	0.45	0.84	1.66	1.99
10400	0	0.23	0.22	0.51	0.95	1.18	2.04	2.33

Est. vol. total, Calls 20436 Puts 32754. Previous day's open int., Calls 198174 Puts 283275

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	138.10	137.89	-0.15	138.35	137.85	58311	110090
Dec	109.69	109.67	-0.15	109.69	109.69	5	2452

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Sep	CALLS Dec	PUTS Sep	PUTS Dec
8000		29.67		0
8050		29.17		0
8100		28.67		0

Est. vol. total, Calls 9086 Puts 2596. Previous day's open int., Calls 92694 Puts 117006

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	118.30	118.01	-0.24	118.46	117.93	93,020	93,020
Dec	-	101.85	-	-	-	290	293

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	115-22	115-11	-0-07	115-23	115-06	76423	184091
Dec	115-07	114-30	-0-07	115-07	114-29	1486	3036

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	CALLS Dec	PUTS Aug	PUTS Sep	PUTS Oct	PUTS Dec
115	0-22	1-00	1-11	1-43	0	0-42	1-16	1-47
116	0	0-32	0-48	1-15	0-42	1-10	1-52	2-19
117	0	0-16	0-29	0-56	1-42	1-56	2-33	2-60

Est. vol. total, Calls 5953 Puts 6257. Previous day's open int., Calls 50276 Puts 30065

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	97.86	97.68	-0.12	98.00	97.68	2,058	6,594

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	115-11	115-15	+0-03	115-20	115-04	414,210	496,219
Dec	114-30	115-04	+0-04	115-07	114-00	6,723	36,428
Mar	114-28	114-28	+0-05	114-29	114-29	194	16,168

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	125.76			125.89	125.70	2053	na
Dec	125.21			125.21	125.21	6	na

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Thu Jul 24	Day's change %	Wed Jul 23	Accrued interest	xd adj. ytd		Low coupon yield Jul 24	Jul 23	Yr. ago	Medium coupon yield Jul 24	Jul 23	Yr. ago	High coupon yield Jul 24	Jul 23	Yr. ago
1 Up to 5 years (20)	119.85	0.04	119.81	2.44	6.01	5 yrs	7.04	7.04	7.27	7.09	7.09	7.31	7.16	7.16	7.39
2 5-15 years (20)	152.95	-0.10	153.10	2.15	7.01	15 yrs	6.93	6.90	8.09	6.97	6.94	8.11	7.08	7.05	8.17
3 Over 15 years (6)	185.29	-0.27	185.79	7.02	5.02	20 yrs	6.83	6.80	8.18	6.91	6.88	8.19	7.05	7.02	8.23
4 Irredeemables (5)	215.22	-0.33	215.92	2.12	8.36	Irred.†	7.00	6.96	8.23						
5 All stocks (51)	148.00	-0.09	148.14	3.18	6.40										

Index-linked							Inflation 5% Jul 24	Jul 23	Yr. ago	Inflation 10% Jul 24	Jul 23	Yr. ago
6 Up to 5 years (2)	205.95	0.00	205.95	1.90	3.03	Up to 5 yrs	3.85	3.84	2.76	2.96	2.94	1.14
7 Over 5 years (10)	200.20	-0.10	200.40	1.12	3.98	Over 5 yrs	3.54	3.53	3.78	3.33	3.32	3.61
8 All stocks (12)	199.73	-0.09	199.91	1.19	3.85							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Jul 24	Jul 23	Jul 22	Jul 21	Jul 18	Yr ago	High*	Low*
Govt. Secs. (UK)	97.69	97.72	97.20	96.92	97.08	92.74	97.72	93.31
Fixed Interest	128.86	126.36	125.99	125.78	125.43	112.75	128.88	116.32

Gilt Edged Activity Indices

	Jul 23	Jul 22	Jul 21	Jul 18	Jul 17
Gilt Edged bargains	NA	NA	NA	NA	NA
5-day average	NA	NA	NA	NA	NA

 * for 1997. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974. Gilt Edged volume data will be unavailable until further notice.

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
Shorts" (Lives up to Five Years)						
Treas Cnv 7pc 1997‡‡	7.00	6.71	100$\frac{1}{32}$	—	101$\frac{1}{32}$	100$\frac{1}{32}$
Treas 8¾pc 1997‡‡	8.74	6.66	100$\frac{1}{32}$	—	107$\frac{1}{32}$	100$\frac{1}{32}$
Exch 15pc 1997	14.70	6.65	102$\frac{1}{32}$	—	110$\frac{1}{32}$	102$\frac{1}{32}$
Exch 9¾pc 1998	9.62	9.66	101$\frac{1}{32}$	—	105$\frac{1}{32}$	100$\frac{1}{32}$
Treas 7¼pc 1998‡‡	7.24	6.69	100$\frac{1}{32}$	—	100$\frac{1}{32}$	100$\frac{1}{32}$
Treas 15½pc 1998‡‡	14.18	7.05	109$\frac{1}{32}$	-$\frac{1}{32}$	118$\frac{1}{32}$	109$\frac{1}{32}$
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
Funding 3½pc 1999-4	4.04	5.88	86$\frac{1}{32}$	-$\frac{1}{32}$	87$\frac{1}{32}$	80$\frac{1}{32}$
Conv 9½pc 2004	8.37	7.06	113$\frac{1}{32}$	-$\frac{1}{32}$	114$\frac{1}{32}$	109$\frac{1}{32}$
Treas 6¾pc 2004‡‡	6.86	7.01	98$\frac{1}{32}$	-$\frac{1}{32}$	99$\frac{1}{32}$	93$\frac{1}{32}$
Conv 9½pc 2005	8.31	7.06	114$\frac{1}{32}$	-$\frac{1}{32}$	122$\frac{1}{32}$	110$\frac{1}{32}$
Exch 10½pc 2005	8.65	7.04	120$\frac{1}{32}$	-$\frac{1}{32}$	121$\frac{1}{32}$	117$\frac{1}{32}$
Treas 12½pc 2003-5	9.86	7.12	126$\frac{1}{32}$	-$\frac{1}{32}$	129$\frac{1}{32}$	124$\frac{1}{32}$
Treas 8½pc 2005‡‡	7.79	7.04	109$\frac{1}{32}$	-$\frac{1}{32}$	109$\frac{1}{32}$	104$\frac{1}{32}$
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Notes	Yield (1)	Yield (2)	Price £	+ or –	52 week High	52 week Low
Index-Linked (b)						
4⅝pc '98‡‡ (135.6)	-	2.53	114$\frac{1}{32}$	+$\frac{1}{32}$	114$\frac{1}{32}$	113$\frac{1}{32}$
2½pc '99	2.07	3.27	182$\frac{1}{32}$	-$\frac{1}{32}$	182$\frac{1}{32}$	179$\frac{1}{32}$
2½pc '01 (78.3)	2.95	3.55	188$\frac{1}{32}$	-$\frac{1}{32}$	187$\frac{1}{32}$	180$\frac{1}{32}$
2½pc '03 (78.8)	3.13	3.62	183$\frac{1}{32}$	-$\frac{1}{32}$	184$\frac{1}{32}$	175$\frac{1}{32}$
4⅜pc '04‡‡ (135.6)	3.18	3.62	118$\frac{1}{32}$	-$\frac{1}{32}$	120$\frac{1}{32}$	114$\frac{1}{32}$
2pc '06 (69.5)	3.23	3.56	194$\frac{1}{32}$	-$\frac{1}{32}$	195$\frac{1}{32}$	183$\frac{1}{32}$
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for November 1996: 153.9 and for June 1997: 157.5.

Other Fixed Interest

Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

‡ "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real index-linked redemption yields are calculated by HSBC Greenwell from Bank of England closing prices. † Indicative price.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:55 pm on July 24

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	100¼	100⅝		6.53
ABN Amro Bank 7¼ 05	1000	103½	103⅝		6.78
African Dev Bk 7¾ 23	500	104¼	104⅞	-⅛	7.01
Alberta Province 7⅝ 98	1000	101⅞	102		6.02
Argentina 11⅜ 17	2000	115⅝	116¼	-¼	9.82
Asian Dev Bank 5¾ 00	750	99½	99⅝	-⅛	5.43
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Issued	Bid	Offer	Chg	Yield
Spain 7¼ 03	4000	111⅝	111⅞	-⅛	4.92
Volkswagen Intl Fin 7 03	1000	108¾	109	-⅛	5.22
World Bank 5¼ 03	3000	104⅜	104⅞	-¼	4.97
World Bank 6¼ 02	3000	106¾	106⅞	-⅛	4.73
World Bank 7⅛ 00	2000	111⅛	111¼	-⅛	5.32
SWISS FRANC STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Issued	Bid	Offer	Chg	Yield
Abbey Natl Treasury 8 03 £	1000	102⅞	102¾	+⅛	7.51
British Land 8⅞ 23 £	150	109	109⅜	-⅛	8.21
Denmark 6¾ 98 £	800	99⅜	99½		7.35
Depfa Finance 7⅞ 00 £	500	97⅞	98⅛		7.55
EIB 8 03 £	1000	103¼	103⅜	+¼	7.29
Finland 7 00 £	500	99½	99⅝	+⅛	7.18
Glaxo Wellcome 8¾ 99 £	500	107⅛	107½	-⅛	7.54
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES

	Issued	Bid	Offer	C.cpn
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS

	Issued	Conv. Price	Bid	Offer	Prem.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

CURRENCIES AND MONEY

Traders foresee German rate rise

MARKETS REPORT

By Simon Kuper

The money market scaled up its prospects of a German interest rate rise yesterday, but that gave no boost to the stricken D-Mark.

Tha last Bundaabank council meeting before tha summer break yesterday kept alive the possibility of a shift from a fixed repo rate to a variable rate soon. The council set a fixed rate only for the next two weekly tenders at an unchanged level of 3.0 per cent. But there are four tenders before the council meets again. That raised the prospect of a policy shift.

The market believes that German rates would be more likely to rise under a variable repo rate, whereby supply and demand determine rates, than under a fixed repo. Euromark futures contracts, which bet on the expected level of German interest rates, dropped to reflect the new rate rise prospects. The October 1997 contract fell 6 basis points and now clearly prices in a 25-point rise in rates to 3.25 per cent. The December 1998 contract fell 10 basis points to price in rates of more than 4 per cent.

The Bundesbank also said it would keep a close eye on financial markets, paying "special attention to the axternal value of the D-Mark", as part of its watch on price inflation

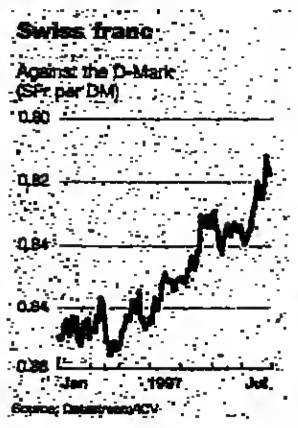
Some in the market had expected the Bundesbank to move to a variable repo rate yesterday. There had also been fears that the bank would warn sternly of future forex intervention. When these expectations did not materialise, the dollar initially soared to DM1.84. But it later fell on profit taking and prospects of a German rate rise. It closed in London at DM1.829, just 0.2 pfennigs up on the day.

With expectations of US rate rises shrinking, the yield gap between 10-year US and German bonds has fallen to about 50 basis points. Yet that decline has failed to hit the dollar. The US currency has risen 3.8 pfennigs aince Monday, buoyed by helief that the D-Mark will merge into a weak euro.

The D-Mark, after initially slipping further against the Swiss franc, later recovered sharply. It closed in London at SFr0.818, half a centime above Wednesday'a close. But that merely made up its losses of this week against the Swiss currency. Late yesterday the dollar was at a 43-month peak of SFr1.5050 to the Swiss franc, 1.9 centimes up on Wednesday'a London close.

■ Pound in New York

Jul 24	—Latest—	– Prev. close –
£ spot	1.6745	1.6800
1 mth	1.6729	1.6782
3 mth	1.6690	1.6744
1 yr	1.6516	1.6569



■ The pound moved little despite a flurry of news. Mr Eddie George, governor of the Bank of England, said some of the currency's recent rise had been irrational. The UK'a trade deficit for May surprised City economists by shrinking, suggesting that sterling's climb had failed to hurt exporters mnch so far. By contrast, British manufacturers reported the sharpest fall in their export prospects since 1980, in the Confederation of British Industry's quarterly survey. For the last four mooths UK export orders have been falling at their fastest rate since 1991, as the strong pound bites. Yet sterling closed little changed at DM3.063 to the D-Mark. The forex market still seems scarcely worried about the pound's damage to exports.

■ The south east Asian currency crisis just will not go away. Currencies fell across the region yesterday on signs that the devaluations of this month had hit infrastructure projects and large companies in the region.

Dr Mahathir Mohamad, Malaysia's prime minister, again insulted "rogue speculators" and said that laws may be needed to protect regional currencies. He did not elaborate. Perhapa today's meeting of Asian central bankers in Shanghai will provide more clues. Any new regulation of currencies trading could damage the region's free-market credentials. Furthermore, thia week's depreciations are due less to foreign speculators than to local companies and banks hedging against further falls in their currencies.

The Singapore dollar, relatively stable until this week, sank to a 32-month low of 1.4785 but recovered slightly to 1.4770 later. Dealers said they had read comments by Mr Richard Hn, finance minister, as a signal that some depreciation was needed to keep Singapore'a exports competitive.

The Malaysian ringgit and Indonesian rupiah also fell.

■ OTHER CURRENCIES

Jul 24	£	$
Czech Rp	57.3402 - 57.3983	34.2780 - 34.2910
Hungary	327.086 - 327.345	195.520 - 195.570
Iran	5021.40 - 5018.40	3000.00 - 3000.00
Kuwait	0.5080 - 0.5085	0.3037 - 0.3038
Poland	5.7561 - 5.7763	3.4410 - 3.4510
Russia	9700.57 - 9708.04	5799.00 - 5800.00
U.A.E.	6.1439 - 6.1479	3.6728 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Jul 24		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	21.5530	-0.0817	411 - 649	21.6670	21.4298	21.4986	3.0	21.3959	3.1	20.8804	3.1	101.5
Belgium	(BFr)	63.2625	-0.1841	352 - 897	63.5790	62.9220	63.0825	3.4	62.7125	3.5	60.9825	3.6	100.7
Denmark	(DKr)	11.6644	-0.0329	592 - 696	11.7239	11.5995	11.6329	3.2	11.5689	3.3	11.2774	3.3	102.9
Finland	(FM)	9.0174	-0.0168	105 - 243	9.0730	8.9710	8.9921	3.4	8.9396	3.5	8.7269	3.2	81.4
France	(FFr)	10.3300	-0.0285	259 - 340	10.3795	10.2714	10.297	3.8	10.24	3.5	9.9845	3.5	103.2
Germany	(DM)	3.0632	-0.0088	616 - 647	3.0808	3.0459	3.0539	3.7	3.0349	3.7	2.948	3.8	101.3
Greece	(Dr)	478.455	-1.093	187 - 724	481.121	476.205	480.238	-4.5	482.862	-3.7	491.23	-2.7	65.0
Ireland	(I£)	1.1346	-0.0041	323 - 369	1.1380	1.1291	1.1341	0.5	1.1327	0.7	1.1219	1.1	98.5
Italy	(L)	2979.98	-5.78	809 - 187	2995.69	2961.82	2980.06	0.0	2980.03	0.0	2977.43	0.1	75.6
Luxembourg	(LFr)	63.2625	-0.1841	352 - 897	63.5790	62.9220	63.0825	3.4	62.7125	3.5	60.9825	3.6	100.7
Netherlands	(Fl)	3.4506	-0.009	491 - 520	3.4711	3.4301	3.4404	3.5	3.4195	3.6	3.3235	3.7	100.0
Norway	(NKr)	12.6162	+0.0131	082 - 241	12.6432	12.5168	12.5837	3.1	12.5227	3.0	12.2537	2.9	95.9
Portugal	(Es)	309.385	-0.787	217 - 553	310.999	307.784	309.229	0.6	308.699	0.0	304.611	1.5	91.7
Spain	(Pta)	257.789	-0.888	628 - 949	259.430	256.630	257.474	1.5	256.724	1.7	252.354	2.1	76.2
Sweden	(SKr)	13.2009	+0.0344	907 - 111	13.2124	13.0715	13.1734	2.5	13.1149	2.8	12.8584	2.6	85.3
Switzerland	(SFr)	2.5058	+0.0089	042 - 074	2.5147	2.4790	2.4949	5.2	2.4723	5.3	2.372	5.3	105.5
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	106.3
Ecu	-	1.5472	-0.0023	462 - 481	1.5549	1.5399	1.5439	2.8	1.5367	2.7	1.5027	2.9	-
SDR†	-	1.22729	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6731	-0.0078	725 - 736	1.6791	1.6687	-	-	-	-	-	-	-
Brazil	(R$)	1.8102	-0.0088	095 - 109	1.8168	1.8059	-	-	-	-	-	-	-
Canada	(C$)	2.3138	-0.0077	126 - 149	2.3231	2.3049	2.307	3.6	2.2933	3.5	2.2424	3.1	84.8
Mexico	(New Peso)	13.1020	-0.0808	897 - 142	13.1401	13.0783	-	-	-	-	-	-	-
USA	($)	1.6733	-0.0079	728 - 738	1.6794	1.6690	1.6716	1.2	1.6679	1.3	1.6509	1.3	104.7
Pacific/Middle East/Africa													
Australia	(A$)	2.2712	-0.0116	697 - 728	2.2859	2.2675	2.2706	0.3	2.2687	0.4	2.2586	0.6	92.0
Hong Kong	(HK$)	12.9522	-0.0717	475 - 569	13.0095	12.9247	12.9512	0.1	12.9447	0.2	12.8897	0.5	-
India	(Rs)	59.7201	-0.2886	688 - 714	59.9190	59.5920	59.9153	-3.9	60.3159	-4.0	61.8958	-3.6	-
Israel	(Shk)	5.9598	+0.0488	491 - 706	5.9709	5.8684	-	-	-	-	-	-	-
Japan	(Y)	194.069	-0.65	944 - 194	194.490	193.290	193.049	6.3	191.024	6.3	182.039	6.2	133.8
Malaysia	(M$)	4.4284	-0.0058	229 - 339	4.4443	4.4127	4.4326	-1.2	4.4408	-1.1	4.4593	-0.7	-
New Zealand	(NZ$)	2.5608	-0.0274	590 - 625	2.5877	2.5475	2.5606	0.1	2.5618	-0.1	2.5688	-0.3	108.9
Philippines	(Peso)	48.1076	+0.2788	402 - 750	48.8779	47.3270	48.2674	-4.0	48.5189	-3.4	49.5739	-3.0	-
Saudi Arabia	(SR)	6.2761	-0.0293	740 - 781	6.2961	6.2601	6.2726	0.7	6.2641	0.8	6.2277	0.8	-
Singapore	(S$)	2.4740	+0.0083	724 - 756	2.4777	2.4596	2.4694	2.3	2.4593	2.4	2.4111	2.5	-
South Africa	(R)	7.6294	-0.0417	246 - 342	7.6581	7.6098	7.6802	-8.6	7.808	-9.4	8.245	-8.1	-
South Korea	(Won)	1494.26	-8.69	046 - 805	1499.19	1490.25	-	-	-	-	-	-	-
Taiwan	(T$)	46.7888	-0.2278	213 - 162	46.9056	46.6385	46.7522	0.4	46.7124	0.5	46.5147	0.5	-
Thailand	(Bt)	53.5206	-0.8647	460 - 951	53.8900	51.2730	53.8572	-7.5	54.3188	-6.0	55.349	-3.4	-

† Rates for Jul 23. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T. The exchange rates printed in this table are also available on the Internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jul 24		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan index
Europe													
Austria	(Sch)	12.8806	+0.0235	773 - 838	12.9430	12.8250	12.8566	2.2	12.8076	2.3	12.5836	2.3	101.1
Belgium	(BFr)	37.8070	+0.067	020 - 120	37.9750	37.6210	37.732	2.4	37.5805	2.4	36.887	2.4	100.8
Denmark	(DKr)	6.9709	+0.013	699 - 718	7.0016	6.9404	6.9592	2.0	6.9349	2.1	6.8285	2.0	102.1
Finland	(FM)	5.3890	+0.014	865 - 915	5.4189	5.3632	5.3775	2.8	5.3539	2.6	5.26	2.4	80.9
France	(FFr)	6.1734	+0.0118	728 - 740	6.2000	6.1435	6.1619	2.2	6.138	2.3	6.0292	2.3	102.8
Germany	(DM)	1.8306	+0.0033	302 - 310	1.8400	1.8220	1.8268	2.5	1.819	2.5	1.784	2.5	100.9
Greece	(Dr)	285.935	+0.885	860 - 010	287.200	284.710	287.23	-5.4	289.285	-4.7	296.435	-3.7	64.6
Ireland	(I£)	1.4748	-0.0017	723 - 773	1.4830	1.4696	1.4741	0.6	1.4731	0.5	1.4735	0.1	-
Italy	(L)	1780.80	+4.87	030 - 150	1788.50	1771.00	1782.67	-1.2	1785.88	-1.1	1789.1	-0.5	75.4
Luxembourg	(LFr)	37.8070	+0.067	020 - 120	37.9750	37.6210	37.732	2.4	37.5805	2.4	36.887	2.4	100.8
Netherlands	(Fl)	2.0622	+0.0043	619 - 624	2.0720	2.0528	2.0579	2.5	2.0494	2.5	2.0117	2.4	100.0
Norway	(NKr)	7.5397	+0.043	372 - 422	7.5571	7.4852	7.5252	2.3	7.4968	2.3	7.3851	2.1	95.4
Portugal	(Es)	184.895	+0.395	850 - 940	185.710	184.050	184.859	0.2	184.805	0.2	183.635	0.7	92.3
Spain	(Pta)	154.060	+0.185	010 - 110	154.800	153.550	154.015	0.4	153.84	0.6	152.865	0.8	75.8
Sweden	(SKr)	7.8892	+0.0573	854 - 929	7.8933	7.8079	7.8801	1.4	7.8608	1.4	7.7868	1.3	85.4
Switzerland	(SFr)	1.4975	+0.0111	970 - 980	1.5033	1.4833	1.4922	4.3	1.4815	4.3	1.436	4.1	106.0
UK	(£)	1.6733	-0.0079	728 - 738	1.6794	1.6690	1.6716	1.2	1.6679	1.3	1.6509	1.3	106.1
Ecu	-	1.0816	-0.0031	812 - 819	1.0860	1.0775	1.083	-1.8	1.0862	-1.7	1.1016	-1.8	-
SDR†	-	0.729964	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0816	-0.0002	817 - 819	1.0819	1.0817	-	-	-	-	-	-	-
Canada	(C$)	1.3828	+0.0019	825 - 830	1.3835	1.3805	1.3797	2.7	1.374	2.6	1.3534	2.1	84.7
Mexico	(New Peso)	7.8300	-0.0115	250 - 350	7.8350	7.8250	7.9385	-16.6	8.1495	-16.3	9.06	-15.7	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	105.3
Pacific/Middle East/Africa													
Australia	(A$)	1.3573	-0.0008	569 - 578	1.3611	1.3561	1.3571	0.2	1.3565	0.2	1.3522	0.4	93.6
Hong Kong	(HK$)	7.7405	-0.0085	400 - 410	7.7468	7.7400	7.741	-0.1	7.7419	-0.1	7.7442	0.0	-
India	(Rs)	35.6900	-0.005	700 - 100	35.7120	35.6700	35.8275	-4.6	36.1125	-4.7	37.325	-4.6	-
Israel	(Shk)	3.5600	+0.0457	528 - 671	3.5679	3.5136	-	-	-	-	-	-	-
Japan	(Y)	115.960	+0.155	940 - 020	116.170	115.600	115.465	5.3	114.465	5.2	110.165	5.0	135.1
Malaysia	(M$)	2.6465	+0.009	440 - 490	2.6530	2.6370	2.651	-2.0	2.66	-2.0	2.69	-1.6	-
New Zealand	(NZ$)	1.5303	-0.0082	298 - 309	1.5408	1.5264	1.5311	-0.6	1.5335	-0.8	1.5436	-0.9	-
Philippines	(Peso)	28.7500	+0.3	000 - 000	29.2000	28.3000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7507	-	506 - 506	3.7508	3.7505	3.7514	-0.2	3.7524	-0.2	3.7571	-0.2	-
Singapore	(S$)	1.4785	+0.0116	780 - 790	1.4800	1.4685	1.4768	1.4	1.4729	1.5	1.4535	1.7	-
South Africa	(R)	4.5595	-0.0035	580 - 610	4.5645	4.5580	4.6	-10.7	4.5795	-10.5	4.982	-9.3	-
South Korea	(Won)	893.000	-1	000 - 000	895.000	890.600	-	-	-	-	-	-	-
Taiwan	(T$)	27.9500	-0.005	300 - 700	27.9720	27.9240	27.961	-0.5	27.97	-0.3	28.0625	-0.4	-
Thailand	(Bt)	31.9850	-0.365	500 - 200	32.6000	30.4000	32.43	-16.7	33.135	-14.4	34.365	-7.4	-

† SDR rate per $ for Jul 23. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jul 23: Base average 1990=100.
The exchange rates printed in this table are also available on the Internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

July 24	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.00	2.50	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.10	-	4.75
Germany	3	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.00
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	6	-	-	6.75
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.75	6.25	6.82
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	2.50	2.90
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	½	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.42	5.48	5.55	5.68	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jul 24	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
German Mark	[illegible] - 3	[illegible] - 3	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	7 - [illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.55	96.52	-0.00	96.57	96.52	21,178	62,163
Dec	96.48	96.42	-0.05	96.49	96.41	13,254	33,926
Mar	96.40	96.33	-0.07	96.42	96.32	10,472	26,672

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.76	96.72	-0.04	96.78	96.72	45729	290073
Dec	96.61	96.54	-0.07	96.63	96.53	79758	284491
Mar	96.50	96.42	-0.08	96.52	96.42	83701	268730
Jun	96.31	96.23	-0.09	96.35	96.23	62810	194678

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Aug		96.84	-0.01			0	490
Sep		96.81	-0.01			0	298
Oct		96.80	-0.01			0	265
Nov		96.77	-0.01			0	60

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	93.34	93.26	-0.09	93.34	93.23	14880	109122
Dec	93.75	93.67	-0.09	93.78	93.64	14276	85374
Mar	94.12	94.06	-0.07	94.14	94.04	8842	51108
Jun	94.42	94.36	-0.06	94.44	94.33	6547	39511

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	98.47	98.42	-0.06	98.54	98.40	15412	58876
Dec	98.33	98.28	-0.06	98.39	98.25	11190	45360
Mar	98.24	98.16	-0.05	98.30	98.19	2807	20343
Jun	98.08	98.04	-0.05	98.14	98.06	663	6685

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		99.34	-0.01			0	na
Dec		99.25	+0.02			0	na
Mar		99.09	+0.03			0	na

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.73	95.70	-0.04	95.75	95.70	2335	10468
Dec	95.71	95.66	-0.05	95.72	95.67	1265	7980
Mar	95.72	95.67	-0.05	95.72	95.68	307	5627
Jun	95.70	95.62	-0.07	95.70	95.62	240	3200

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9325	0.13	0.51	0.80	0.12	0.09	0.09
9350	0.04	0.33	0.70	0.28	0.16	0.14
9375	0.01	0.19	0.52	0.50	0.27	0.21

Est. vol. total, Calls 1860 Puts 861. Previous day's open int., Calls 121345 Puts 60885

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jul 24		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.44	16.33	4.842	1.793	4711	5.455	19.94	489.0	407.5	20.87	3.961	1.581	3.658	2.645	306.8	2.445
Denmark	(DKr)	54.24	10	8.856	2.626	0.973	2555	2.958	10.82	265.2	221.0	11.32	2.148	0.857	1.984	1.435	166.4	1.326
France	(FFr)	61.24	11.29	10	2.965	1.098	2885	3.340	12.21	299.5	249.6	12.78	2.426	0.968	2.240	1.620	187.9	1.498
Germany	(DM)	20.65	3.808	3.372	1	0.370	972.8	1.127	4.119	101.0	84.16	4.310	0.818	0.326	0.755	0.546	63.36	0.505
Ireland	(I£)	55.76	10.28	9.105	2.700	1	2626	3.041	11.12	272.7	227.2	11.64	2.209	0.881	2.039	1.475	171.0	1.364
Italy	(L)	2.123	0.391	0.347	0.103	0.038	100	0.116	0.423	10.38	8.651	0.443	0.084	0.034	0.078	0.056	6.512	0.052
Netherlands	(Fl)	18.33	3.380	2.994	0.888	0.329	863.8	1	3.656	89.66	74.71	3.826	0.726	0.290	0.671	0.485	56.24	0.448
Norway	(NKr)	50.14	9.246	8.188	2.428	0.899	2362	2.735	10	245.2	204.3	10.46	1.986	0.793	1.834	1.326	153.8	1.226
Portugal	(Es)	20.45	3.770	3.339	0.990	0.367	963.2	1.115	4.078	100	83.32	4.267	0.810	0.323	0.748	0.541	62.73	0.500
Spain	(Pta)	24.54	4.525	4.007	1.188	0.440	1156	1.339	4.894	120.0	100	5.121	0.972	0.388	0.898	0.649	75.28	0.600
Sweden	(SKr)	47.92	8.836	7.825	2.320	0.859	2257	2.614	9.557	234.4	195.3	10	1.898	0.758	1.753	1.268	147.0	1.172
Switzerland	(SFr)	25.25	4.655	4.122	1.222	0.453	1189	1.377	5.035	123.5	102.9	5.268	1	0.399	0.923	0.668	77.45	0.617
UK	(£)	63.28	11.66	10.33	3.063	1.135	2980	3.451	12.62	309.4	257.8	13.20	2.506	1	2.314	1.673	194.1	1.547
Canada	(C$)	27.34	5.041	4.464	1.324	0.490	1288	1.491	5.452	133.7	111.4	5.705	1.083	0.432	1	0.723	83.87	0.669
USA	($)	37.81	6.971	6.173	1.831	0.678	1781	2.062	7.540	184.9	154.1	7.889	1.498	0.598	1.383	1	116.0	0.925
Japan	(Y)	32.60	6.010	5.323	1.578	0.585	1536	1.778	6.501	159.4	132.8	6.802	1.291	0.515	1.192	0.862	100	0.797
Ecu	-	40.89	7.540	6.677	1.980	0.733	1926	2.230	8.155	200.0	166.6	8.533	1.620	0.646	1.496	1.082	125.4	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.5496	0.5461	+0.0033	0.5505	0.5453	33,957	126,140
Dec	0.5497	0.5494	-0.0034	0.5500	0.5487	228	1,502
Mar	-	0.5525	-0.0037	-	0.5525	1	544

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.8710	0.8682	-0.0031	0.8715	0.8675	16,536	56,820
Dec	0.8820	0.8816	-0.0009	0.8820	0.8795	86	1,782
Mar	-	0.8920	-0.0016	-	0.8920	122	316

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6776	0.6699	-0.0072	0.6780	0.6685	10,629	54,417
Dec	0.6840	0.6765	-0.0076	0.6840	0.6763	194	1,540
Mar	-	0.6840	-0.0073	-	0.6840	17	963

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.6762	1.6694	-0.0060	1.6790	1.6685	9,584	62,971
Dec	1.6620	1.6646	-0.0050	1.6650	1.6620	7	881
Mar	-	1.6580	-0.0058	-	1.6570	1	196

UK INTEREST RATES

LONDON MONEY RATES

Jul 24	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	7 - [illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	-	-	-	-

UK clearing bank base lending rate 6¾ per cent from Jul 10, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount on Jul 18, 6.5774pc. ECGD fixed rate Stg. Export Finance. Make up day Jun 30, 1997. Agreed rate for period Jul 26, 1997 to Aug 25, 1997, Scheme III 7.89pc. Reference rate for period May 31, 1997 to Jun 30, 1997, Schemes IV & V 6.736pc. Finance House Base Rate 7pc from Jul 1, 1997

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	92.81	92.80	-0.01	92.83	92.80	9191	128014
Dec	92.65	92.62	-0.01	92.67	92.62	16746	124899
Mar	92.59	92.57	+0.01	92.63	92.57	24554	101711
Jun	92.60	92.60	+0.02	92.64	92.60	14036	72848
Sep	92.66	92.65	+0.01	92.69	92.65	4960	52300

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9275	0.12	0.09	0.13	0.07	0.22	0.31
9300	0.02	0.03	0.06	0.22	0.41	0.49
9325	0	0	0.02	0.45	0.63	0.70

Est. vol. total, Calls 4901 Puts 5427. Previous day's open int., Calls 171636 Puts 164731

EMS EUROPEAN CURRENCY UNIT RATES

Jul 24	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Finland	5.85424	5.84884	+0.0057	-0.09	3.78	1
Italy	1906.48	1932.11	+0.73	1.34	2.31	-10
Portugal	197.398	200.589	+0.087	1.61	2.04	-11
Ireland	0.798709	0.732866	-0.001716	-8.24	13.00	56
Spain	163.826	167.368	+0.142	2.16	1.49	-15
Denmark	7.34555	7.56517	+0.00131	2.99	0.67	-20
Netherlands	2.16678	2.23789	+0.00035	3.14	0.53	-23
Germany	1.92573	1.98728	+0.00038	3.20	0.47	-32
Austria	13.5485	13.9829	+0.0036	3.21	0.46	-23
Belgium	39.7191	41.0328	+0.0112	3.31	0.36	-24
France	6.45883	6.69645	-0.0014	3.68	0.00	-31
NON ERM MEMBERS						
Greece	295.269	310.293	+0.177	5.09	-1.34	-
UK	0.793103	0.645508	-0.000496	-18.61	27.39	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Aug	Sep	Oct	PUTS Aug	Sep	Oct
1.660	2.03	2.88	3.38	1.09	1.87	2.33
1.670	1.44	2.37	2.84	1.58	2.11	2.74
1.680	1.00	1.90	2.43	2.16	2.60	3.29

Previous day's vol., Calls n/a Puts n/a. Prev. day's open int., Calls n/a Puts n/a

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Aug	Sep	Oct	PUTS Aug	Sep	Oct
0.555	0.33	0.61	0.84	0.97	1.18	1.34
0.560	0.22	0.44	0.66	1.34	1.50	1.65
0.565	0.13	0.32	0.50	1.74	-	-

Previous day's vol., Calls n/a Puts n/a. Prev. day's open int., Calls n/a Puts n/a

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.28	94.28	-	94.28	94.27	55,133	531,515
Dec	94.14	94.14	-	94.15	94.13	93,345	463,632
Mar	94.10	94.11	+0.01	94.11	94.06	81,832	327,843

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.92	94.93	+0.01	94.93	94.92	126	7,785
Dec	94.84	94.84	+0.01	94.84	94.84	10	652

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Aug	Sep	Oct	Dec	PUTS Aug	Sep	Oct	Dec
9650	0.23	0.24	0.13	0.15	0.01	0.02	0.09	0.11
9675	0.02	0.05	0.03	0.04	0.05	0.08	0.24	0.25
9700	0	0.01	0	0.01	0.26	0.29	0.46	0.47

Est. vol. total, Calls 8257 Puts 32924. Previous day's open int., Calls 343849 Puts 282251

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9850	0.08	0.11	0.15	0.16	0.33	0.46
9875	0.02	0.04	0.07	0.35	0.51	0.63

Est. vol. total, Calls 659 Puts 0. Previous day's open int., Calls 3325 Puts 3255

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	Scottish Widows Bank	6.75
Allied Irish Bank (GB)	6.75	Exeter Bank Limited	7.75	●Singer & Friedlander	6.75
●Henry Ansbacher	6.75	Financial & Gen Bank	7.50	●Smith & Williamson Secs	6.75
Bank of Baroda	6.75	●Robert Fleming & Co	6.75	Sun Banking Corp Ltd	6.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75	TSB	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	United Bank of Kuwait	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75	Unity Trust Bank Plc	6.75
Bank of India	6.75	Heritable & Gen Inv Bk	6.75	Western Trust	6.50
Bank of Scotland	6.75	C. Hoare & Co	6.75	Whiteaway Laidlaw	6.75
Barclays Bank	6.75	Hongkong & Shanghai	6.75	Yorkshire Bank	6.75
Brit Bk of Mid East	6.50	Investec Bank (UK) Ltd	6.75		
●Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75		
Citibank NA	6.75	●Leopold Joseph & Sons	6.75		
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Midland Bank	6.75		
Coutts & Co	6.75	NatWestminster	6.75		
Cyprus Popular Bank	6.75	●Rea Brothers	6.75		
		Royal Bk of Scotland	6.75		

● Members of London Investment Banking Association
* In administration

COMMODITIES AND AGRICULTURE

Newsprint producers push for price rise

By Bernard Simon in Toronto

North American newsprint producers have taken advantage of firming demand and a strike in Britisb Columbia to pusb for their second price rise this year.

Montreal-based Abitibi Consolidated, the world'a biggest producer, plans to raise prices by about 6 per cent, or US$40 a tonne, in western North America and $35 in the east, effective from October 1. Earlier this week, Jefferson Smurfit gave notice of a similar move from November 1.

Prices are currently about $560 a tonne in the east but higher in the west, due in part to the strike that began this month at Fletcher Challenge Canada's three pulp and paper mills in British Columbia.

Abitibi reminded customers that it lost C$51m in the first quarter, and expected another loss in the second. Noting the buoyant US economy, it oaid: "We cannot afford to pass through this favourahle period without re-establishing profitability."


Falling inventories and a strike in Canada are strengthening the case for higher prices

Strong advertising, especially in community newspapers, has bolstered demand for newoprint in recent monthe, despite paper conservatlon measures put in place when prices were high in 1994-95. Knight-Ridder, tha Miami-hased publisher, yesterday ascribed a 74 per cent jump in aecond-quarter earnings to an 8 per cent advance in advertising revenues, and lower newsprint costs.

Mr Richard Kellertas, analyst at Bunting Warburg in Montreal, said the price rises also reflected producers' ouccess in bringing down inventories. US mill stocks shrank to 94,000 toones in May from 178,000 tonnes a year earlier. He predicted at least another year of "solid growth and price increases."

However, one European newsprint buyer ascribed tha bullisb mood almost entirely to the Fletcber Cballenge strike. "Demand is building, bnt it's slow," he said, adding that supplies were freely avallable from Canadian and Scandinavian mills.

Producers had some difficulty implementing tbe 15 per cent increase earlier this year. Due to take effect on March 1, it was not fully in place until June.

Most observers expsct the Fletcher strike, now in its second week, to drag on for some time. Fletcher, whicb has become increasingly impatient with tha pro-labour business climate in British Columhia, has demandad greater flexibility to contract out work and rednce its workforce.

Several producers have tried to persuade customers to mitigate price volatility by concluding long-term contracts at fixed terms. Prices have swung from $410 in 1993 to a peak of $750–$800 in late 1995, before tumbling below $500 again last year.

Fund buying lifts zinc to seven-year peak

MARKETS REPORT

By Kenneth Gooding, Gary Mead and Robert Corzine

Tightness in the London Metal Exchange zinc market increased yesterday and the premium for immediate delivery, compared with three-month metal, widened from $20 a tonne on Wednesday to $40. This helped three-month zinc reach a seven-year peak of $1,571 a tonne.

Traders suggested investment fund bnying lifted prices, on reports that Chinese smelters had sold zinc "ohort" – betting prices would fall. The China Metals publication bas suggested that Chinese smelters sold short 250,000 tonnes of zinc when the price was $400 a tonne below yesterday's level, and might bave to turn to the market to cover.

In contrast, tigbtness in the LME copper market appeared to ease. The premium for metal for immediate delivery, compared with three-month copper, started the day at $65 a tonne hut was $45 last night.

The moderate rally in coffee prices on the London International Financial Futures Exchange continued, with the September contract closing up $18 a tonne at $1,578. However, the $1,600 mark still looks a distant prospect, according to specialists, who said the market is largely being driven hy developments on the Coffee, Sugar and Cocoa Exchange in New York.

On the CSCE, the September future was edging down, having risen 14 per cent in the two previous days. By midday tbe contract was down 5.15 cents at 176.50 cents a pound, with traders anticipating further falls in the absence of any fundamental news to otam the regression.

Cocoa trading on Liffe also followed New York, though trading was volatile. The London September future touched a new low of £965 a tonne in the morning oession, but bounced hack to close £1 up at £987.

Much of the later strengthening was due to the September contract powering ahead on the CSCE, where by midday it was up $17 to $1,514 a tonne, with large commercial cocoa users apparently entering the market at a point where the contract seems chesp.

Oil prices were directionless, with Brent Blend for September delivery trading narrowly either side of its $18.39 closing price on Wednesday. In late trading September Brent was off 3 cents at $18.36 a barrel.

South African gold mine faces shutdown

By Kenneth Gooding, Mining Correspondent

More evidence that South Africa's gold industry is under severe strain because of the recent steep fall in the gold price emerged yesterday, when East Rand Proprietary Mines said there was a "strong possibility" it would shut down in the near future.

The company, which employs about 6,300 and operates ona of the country's oldest and deepest gold mines, blamed "the low gold price and lower than expected underground yields". It said it was operating at a loss and there was no possibility of profits in the foreseeahle future.

At the same time, Freegold, the world's biggest gold mining company, managed by Anglo American Corporation, said: "The low gold price necessitates a review of all marginal shafts and stakeholders will be advised of any decisions emanating from this."

At the end of the first quartar of 1997, Freegold said five of its 19 operating ohafts were in "serious troubla". One has subseqnently been closed and another will be shut down in the next three to six months.

Since ERPM started production in 1908 it has treated nearly 180m tonnes of ore and produced more than 1.3m kg of gold (41.8m troy ounces). But the mine'a age and its depth – about 3.5km – have long made it very marginal.

Analysts suggested the gold price fall bad merely hastened ERPM'o demise. Mr Emil Morfett, at Banqne Paribas, said: "It is one of the highest cost gold producers and the only thing that might save it now is a big fall in the valua of the rand. But that seems unlikely."

ERPM said it had made some proposals to the South African government and discussions were taking place. The government has previously come to ERPM's financial rescue, bnt analysts suggested it was unlikely to do so again.

Mr Greg Hunter, analyst at Deutsche Morgan Grenfell, said the discusaions were more likely to be about using ERPM's name and capital losses in a waste dumps retreatment scheme.

There had also been talk of some of ERPM's infrastructure being used by neighbouring Durban Deep, another old and deep gold mine.

ERPM was scheduled to produce about 9,100 kg (293,000 ounces) of gold in the 1997-98 financial year.

COMMODITIES NEWS DIGEST

Russia doubles tea import duties

Russia'a tea drinkers face paying higher prices for their favourite beverage after the government doubled import duties on packaged tea. Tha move, designed to protect the local tea packaging industry, could push retail prices up as much as 50 per cent, threatening to depress demand. But Russian tea packagers argue it is a necessary step to help rebuild the domestic tea industry, which has been hard hit by the country's economic travails.

May Tea, one of Russia's biggest importers and distributors, plans to build a packaging factory in the Moscow region with a capacity of 40,000 tonnes a year, making it one of the biggest in the world. But the company's decision has puzzled industry observers, given its previous stance that it was unprofitable to pack tea in Russia. May Tea had earlier said it was 2-2.5 times more expensive to package tea in Russia than in Sri Lanka. Rival Russian packagers claim their factories are working at only 30-40 per cent of capacity.

Russia imported about 150,000 tonnes of tea last year, mainly from India and Sri Lanka. That placed it second in the league table of tea consumers behind the UK, which imported 180,000 tonnes in 1996. *John Thornhill, Moscow*

■ RUBBER MARKET

Thai default threatens prices

Dealers in tha Singapore rubber market yesterday said Thailand'a decision to default on delivery of 23,100 tonnes of ruhbed would depress prices. The Thai government yesterday said it would extend its rubber intervention scheme by another three months, but would not accept delivery of the rubber, bought from traders to cnt losses.

Mr Sukhawich Rangsitphol, deputy prime minister and chair of the natural rubber policy committee, said the government expected to spend Bt3bn ($93m) in the next three months to prop up prices in the domestic market. He did not give further details on the defaults on the purchase, but a government source said the decision was prompted by limited financial resources and an extremely bearish outlook for prices.

"This is not good news for the market," said one Singapore trader. "This will surely hit the price of RSS3 rubber." *Reuters, Bangkok and Singapore*

■ GENERATING CAPACITY

Independents lift production

Worldwide generating capacity of unregulated, independent power producers rose 30 per cent last year due to strong expansion outside the US, according to an Independent Power Report newsletter. The report found IPP capacity had risen to 138,909MW from 107,184MW in July last year, including operating plants, projects under construction and assets acquired through privatisations.

The report said the value of such capacity was more than $100bn. It said AES, of the US, was the largest equity holder in IPP projects, followed by National Power of the UK, Edison Mission Energy of the US, PowerGen of the UK, Belgium's Tractebel, and Southern Energy of the US. *Robert Corzine*

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1643-44	1648-49
Previous	1627-28	1636-38
High/low		1655/1637
AM Official	1635-36	1641-41.5
Kerb close		1654-55
Open int.	267,975	
Total daily turnover	145,757	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1435-45	1460-70
Previous	1438-43	1466-68
High/low		1480/1470
AM Official	1430-35	1465-70
Kerb close		1475-80
Open int.	5,414	
Total daily turnover	1,451	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	634-35	647-8
Previous	634-5	647-8
High/low		653/641
AM Official	631-2	643-4
Kerb close		644-45
Open int.	36,495	
Total daily turnover	5,546	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	6670-80	6780-85
Previous	6655-65	6770-71
High/low		6820/6770
AM Official	6675-85	6791-92
Kerb close		6770-75
Open int.	50,346	
Total daily turnover	11,451	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5305-15	5355-65
Previous	5330-40	5385-95
High/low		5380/5290
AM Official	5325-35	5379-81
Kerb close		5330-50
Open int.	15,010	
Total daily turnover	3,117	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1590-91	1558-59
Previous	1573-75	1553-55
High/low		1571/1550
AM Official	1595-97	1557-58
Kerb close		1571-72
Open int.	97,527	
Total daily turnover	41,879	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2336-39	2289-90
Previous	2353-57	2283-85
High/low	2338/2335	2296/2275
AM Official	2337-38	2286-87
Kerb close		2292-93
Open int.	139,692	
Total daily turnover	41,156	

■ LME AM Official £/$ rate: 1.6733
LME Closing £/$ rate: 1.6735

Spot: 1.6733 3 mths: 1.6681 6 mths: 1.6626 9 mths: 1.6573

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	109.90	+2.00	109.90	107.40	698	3,128
Aug	107.60	+1.06	107.70	106.10	139	3,538
Sep	107.80	+2.20	107.90	105.50	5,516	21,422
Oct	106.70	+2.20	106.20	104.50	53	1,466
Nov	106.20	+2.00	-	-	617	1,243
Dec	105.30	-	105.40	103.05	416	7,509
Total					7,417	46,825

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	322.60-323.10		
Opening	320.70-321.00		
Morning fix	321.80	192.289	477.390
Afternoon fix	321.95	192.301	483.311
Day's High	322.70-323.00		
Day's Low	320.40-320.70		
Previous close	323.75-324.25		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....3.33 6 months 3.43
2 months ....3.38 12 months 3.75
3 months 3.42

Silver Fix	p/troy oz.	US cts equiv.
Spot	255.50	426.25
3 months	259.20	433.00
6 months	263.20	438.20
1 year	271.15	448.45

Gold Coins	$ price	£ equiv.
Krugerrand	323-325	193-195
Maple Leaf	-	-
New Sovereign	76-78	45-47

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	323.3	-	-	-	61	61
Aug	323.8	-	329.7	321.2	31,656	64,959
Sep	324.5	+0.1	-	-	-	-
Oct	325.5	+0.1	331.8	323.0	5,671	13,788
Dec	327.1	+0.2	333.0	324.4	17,427	61,157
Feb	329.2	+0.2	334.0	327.8	633	10,640
Total					57,270	206,207

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	424.2	+1.5	429.0	421.0	98	264
Oct	412.2	+4.0	413.0	405.2	1,047	10,394
Jan	401.2	+3.0	401.0	396.0	19	1,911
Apr	397.2	-	396.0	396.0	9	147
Total					1,164	12,718

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	185.50	+6.00	186.50	176.25	537	3,879
Dec	178.50	+5.00	176.00	171.50	5	985
Mar	175.50	+3.50	172.00	170.00	-	25
Jun	174.00	+3.50	-	-	-	-
Total					542	4,886

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	425.4	-1.5	425.0	425.0	28	120
Aug	425.5	-1.5	-	-	-	-
Sep	428.0	-1.5	445.0	426.0	8,488	59,673
Dec	434.2	-1.4	450.0	433.0	551	15,697
Jan	435.9	-1.4	-	-	-	-
Mar	440.4	-1.3	452.5	439.0	8	-
Total					9,124	94,682

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	19.72	+0.09	19.78	19.58	36,823	94,196
Oct	19.76	+0.06	19.83	19.67	13,525	43,049
Nov	19.81	+0.06	19.85	19.72	6,686	27,569
Dec	19.84	+0.05	19.88	18.75	8,807	48,749
Jan	19.90	+0.08	19.90	19.80	1,962	25,344
Feb	19.88	+0.06	19.88	19.85	1,044	12,071
Total					76,973	418,282

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	18.39	-	18.46	18.34	14,255	77,257
Oct	18.45	+0.05	18.50	18.39	6,549	32,845
Nov	18.57	+0.06	10.57	18.47	732	11,440
Dec	18.68	+0.08	18.68	18.58	1,301	17,213
Jan	18.68	+0.06	18.69	18.65	90	13,145
Feb	18.70	+0.09	18.70	18.64	451	5,515
Total					24,001	168,855

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	53.50	+0.22	53.70	53.10	7,961	23,978
Sep	54.00	+0.17	54.20	53.70	5,631	31,911
Oct	54.60	+0.12	54.75	54.30	3,263	23,809
Nov	55.45	+0.12	55.60	55.25	3,403	16,951
Dec	56.30	+0.17	56.40	56.10	2,303	16,846
Jan	56.80	+0.17	56.80	56.60	2,234	14,731
Total					27,671	153,551

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	165.25	+0.25	165.75	164.75	4,553	20,289
Sep	167.00	+0.75	167.25	166.25	1,749	12,747
Oct	168.75	+0.75	169.00	168.25	1,455	8,916
Nov	170.25	+0.25	170.25	169.50	354	5,738
Dec	171.75	+0.50	171.75	171.00	1,406	10,791
Jan	172.50	+0.75	172.50	172.00	997	6,882
Total					11,655	77,115

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	2.165	+0.017	2.175	2.148	26,127	31,062
Sep	2.105	+0.012	2.120	2.095	11,653	34,912
Oct	2.124	+0.016	2.135	2.108	3,134	24,576
Nov	2.265	+0.011	2.280	2.253	1,050	12,409
Dec	2.410	+0.010	2.420	2.400	1,651	18,081
Jan	2.445	+0.009	2.455	2.435	458	16,506
Total					47,268	208,178

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	62.00	+0.88	62.20	61.05	19,184	25,566
Sep	59.20	+0.56	59.30	58.64	11,991	25,589
Oct	57.05	+0.26	57.10	56.75	2,129	9,730
Nov	55.95	+0.04	56.05	55.75	378	4,408
Dec	55.06	+0.36	55.95	55.85	458	7,123
Jan	55.90	+0.31	56.00	55.40	343	5,854
Total					34,508	87,746

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	80.00	+0.25	79.75	79.75	2	232
Nov	82.00	+0.25	82.25	81.50	155	3,852
Jan	84.00	+0.25	84.20	83.75	116	2,192
Mar	86.00	+0.25	86.20	85.75	204	1,123
May	88.00	+0.25	87.95	87.85	24	774
Total					501	8,198

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	358.50	+1.75	359.00	353.00	18,519	42,700
Dec	371.25	+1.00	372.00	365.50	13,057	41,999
Mar	380.25	-0.25	381.00	375.50	2,208	9,131
May	380.00	-2.50	380.00	377.00	198	1,208
Jul	377.50	-2.50	378.50	375.50	430	4,297
Dec	388.00	-4.00	-	-	3	3
Total					34,410	99,361

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	243.50	-3.75	247.00	243.00	14,626	64,183
Dec	244.00	-3.75	247.00	243.50	36,086	152,998
Mar	252.25	-3.50	254.50	251.75	1,992	28,371
May	258.00	-3.25	260.50	257.75	562	5,917
Jul	261.75	-2.75	263.00	261.50	753	8,604
Sep	255.25	-2.00	255.50	254.50	12	1,145
Total					54,167	268,658

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	74.50	-0.50	74.50	74.50	7	32
Nov	77.05	-0.45	77.25	77.00	53	1,034
Jan	79.00	-0.50	78.00	70.75	15	230
Mar	81.00	-0.50	81.00	80.75	25	40
May	82.25	-0.25	-	-	-	6
Total					100	1,345

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	752.00	+13.00	754.00	736.00	9,520	23,465
Sep	653.50	+8.00	655.50	642.50	3,357	14,216
Nov	601.75	-1.25	605.00	596.00	28,176	73,963
Jan	606.00	-0.25	608.00	600.00	833	15,192
Mar	614.25	-0.75	615.00	608.50	509	5,104
May	620.75	-1.75	621.00	617.50	344	3,473
Total					43,143	138,758

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	21.64	+0.03	21.65	21.49	4,013	16,967
Sep	21.82	+0.04	21.84	21.66	1,941	17,102
Oct	21.92	+0.08	21.95	21.81	481	14,687
Dec	22.11	-	22.10	22.02	3,714	42,962
Jan	22.22	-0.03	22.32	22.24	190	5,941
Mar	22.52	-	22.58	22.45	264	2,843
Total					10,907	103,620

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	249.0	+3.7	249.5	244.8	6,621	24,905
Sep	223.1	+2.0	224.0	221.0	2,109	17,134
Oct	202.8	+0.2	204.0	200.8	850	14,101
Dec	196.7	-	197.0	193.5	4,198	38,921
Jan	193.7	-	194.8	191.8	289	5,760
Mar	192.0	-1.8	183.0	189.5	407	7,960
Total					15,027	114,184

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	61.0	+1.0	-	-	-	6
Mar	79.0	+1.0	-	-	-	-
Apr	89.0	+1.0	91.1	85.0	130	1,116
May	99.0	+1.0	-	-	-	2
Jun	109.0	+1.0	-	-	-	-
Total					130	1,127

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1296	-7	1305	1296	26	980
Aug	1256	-15	1270	1250	37	877
Sep	1305	+5	1295	1295	15	411
Oct	1408	+13	1486	1400	100	1,359
Jan	1420	+5	-	-	-	168
Total					178	3,805

	Close	Prev
BFI	1328	1341

FUTURES DATA
All futures data supplied by CMS.

Wool

This week's auction of British wool in Bradford was the first test of any wool market for three weeks, Mallett & Co reports. Competition was good, with an 85 per cent clearance of the 2,348,000kg offered. Prices were between 2.5 per cent and 5 per cent lower than at the last sales, but this was due to sterling strength rather than any decline in the market. Crossbreds have not shown as much strength as merinos this year, but demand has picked up recently. China has been making moves in the UK market and better retail sales of carpets are developing as the housing market becomes more active. The general market view is that merino wool prices in Australia will at least maintain the strength they showed at closing sales before the recess. Sydney futures prices have steadily firmed up during the break.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	974	+2	984	984	10	90
Sep	987	+1	988	965	2,301	25,624
Dec	1020	+3	1020	1003	5,137	38,839
Mar	1045	+5	1046	1028	580	48,837
May	1061	+4	1054	1045	973	21,102
Jul	1076	+4	1069	1062	229	7,276
Total					9,415	172,244

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1516	+16	1516	1480	4,952	26,055
Dec	1566	+16	1586	1535	1,593	23,540
Mar	1602	+16	1604	1575	1,328	23,786
May	1620	+16	1621	1593	130	10,243
Jul	1638	+16	1615	1613	48	1,245
Sep	1658	+16	1635	1632	4	3,705
Total					8,373	88,547

■ COCOA (ICCO) (SDR's/tonne)

Jul 23	Price	Prev. day
Daily	1186.43	1171.28

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1561	+21	1591	1561	36	557
Sep	1579	+18	1617	1572	2,285	21,926
Nov	1570	+19	1606	1565	1,868	14,508
Jan	1545	+25	1570	1545	208	5,010
Mar	1520	+35	1540	1520	286	1,324
May	1505	+35	-	-	-	87
Total					4,484	43,420

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	180.40	-1.25	184.50	174.25	6,553	11,951
Dec	160.30	+2.15	161.00	155.50	1,525	5,893
Mar	147.90	+3.90	148.00	144.00	414	3,140
May	143.25	+3.75	143.50	141.25	39	901
Jul	138.95	+2.95	138.00	136.00	25	432
Sep	133.00	+1.00	-	-	5	250
Total					8,564	22,577

■ COFFEE (ICO) (US cents/pound)

Jul 23		Prev. day
Comp. daily	135.46	128.69
15 day average	133.12	133.55

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	327.9	-0.1	328.4	326.8	1,541	14,336
Dec	322.8	+0.8	323.4	321.7	422	5,810
Mar	324.7	+0.7	325.0	323.0	466	6,242
May	322.3	+1.0	323.0	322.0	106	1,331
Aug	319.0	+1.7	319.0	319.0	5	807
Oct	312.0	+2.0	312.0	309.4	94	1,868
Total					2,874	30,344

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	11.56	+0.07	11.57	11.42	11,184	108k
Mar	11.79	+0.09	11.00	11.67	5,559	51,284
May	11.70	+0.08	11.70	11.61	710	11,176
Jul	11.62	+0.07	11.60	11.55	139	5,466
Oct	11.53	+0.10	11.53	11.49	164	2,308
Mar	11.43	+0.10	-	-	-	735
Total					17,762	179,071

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	75.48	+0.92	75.58	74.06	723	11,819
Dec	75.63	+1.02	75.72	74.75	2,831	43,877
Mar	75.90	+1.00	76.85	75.95	707	10,046
May	77.35	+1.05	77.45	76.70	73	2,555
Jul	77.70	+0.06	77.50	77.30	17	1,534
Oct	75.65	+0.55	75.20	74.90	190	401
Total					4,613	76,398

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	74.40	+0.55	75.00	74.00	1,265	18,958
Nov	76.75	+0.50	77.40	76.50	408	7,298
Jan	79.60	+0.45	80.40	79.40	153	3,020
Mar	82.40	+0.05	83.00	82.50	59	2,070
May	85.40	+0.05	85.35	85.35	32	448
Jul	88.40	+0.05	88.40	88.36	-	97
Total					1,917	31,926

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Jul 24	Jul 23	month ago	year ago
1909.6	1883.7	1962.8	1866.8

■ CRB Futures (Base: 1967 = 100)

Jul 23	Jul 22	month ago	year ago
236.28	235.09		

■ GSCI Spot (Base: 1970 = 100)

Jul 23	Jul 22	month ago	year ago
185.70	183.96	184.18	198.78

LME WAREHOUSE STOCKS (tonnes)

Aluminium	-3,475	to	640,050
Aluminium alloy	-180	to	55,780
Copper	+3,950	to	204,900
Lead	+1,800	to	119,575
Nickel	-304	to	83,562
Zinc	-1,775	to	403,750
Tin	-175	to	11,300

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Aug	67.425	+0.725	67.475	66.425	8,538	29,711
Oct	70.450	+0.85	70.500	69.400	6,261	39,578
Dec	72.200	+0.525	72.290	71.425	2,677	17,470
Feb	73.625	+0.2	73.650	73.300	927	9,255
Apr	75.425	+0.125	75.500	75.200	473	3,719
Jun	71.700	+0.1	71.925	71.350	157	2,646
Total					19,986	102,642

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Aug	81.500	+1.55	81.550	79.950	4,044	11,509
Oct	73.575	+1.15	73.600	72.450	3,460	13,853
Dec	69.750	+0.625	69.800	69.050	786	5,605
Feb	68.175	+0.575	68.200	67.550	141	2,021
Apr	63.725	+0.375	63.750	63.250	33	1,336
Jun	66.975	+0.375	67.100	66.600	29	755
Total					8,523	36,946

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Jul	85.600	+3.000	85.800	84.500	123	259
Aug	84.100	+3.000	84.100	81.400	1,807	4,284
Feb	72.075	+1.975	72.100	70.150	272	1,197
Mar	68.250	+0.100	70.000	-	2	31
May	72.500	-	-	-	-	3
Total					2,204	5,786

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Aug	Nov	Aug	Nov
1600	n/a	-	-	-
1700	n/a	-	-	-
1800	n/a	-	-	-
■ COPPER (Grade A) LME	**Aug**	**Nov**	**Aug**	**Nov**
2200	n/a	-	-	-
2300	n/a	-	-	-
2400	n/a	-	-	-
■ COFFEE LIFFE	**Sep**	**Nov**	**Sep**	**Nov**
1500	131	167	52	97
1550	105	144	76	124
1600	83	125	104	155
■ COCOA LIFFE	**Sep**	**Dec**	**Sep**	**Dec**
975	38	91	26	46
1000	26	77	39	57
1025	18	65	56	70
■ BRENT CRUDE IPE	**Sep**	**Oct**	**Sep**	**Oct**
1800	-	-	-	55
1850	37	69	-	-
1900	-	47	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$17.27-7.43	+0.100
Brent Blend (dated)	$18.66-8.74	+0.010
Brent Blend (Sep)	$18.36-8.38	
W.T.I.	$19.65-9.67w	+0.050

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$203-205	+3
Gas Oil	$165-167	+0.5
Heavy Fuel Oil	$85-87	+2
Naphtha	$185-188	
Jet fuel	$180-182	
Diesel	$168-170	

■ NATURAL GAS (Pence/therm)

Bacton (Aug)	8.60-9.70	

Petroleum Argus. Tel. London (0171) 359 8792

IPE (Aug)	9.550	+0.025

■ OTHER

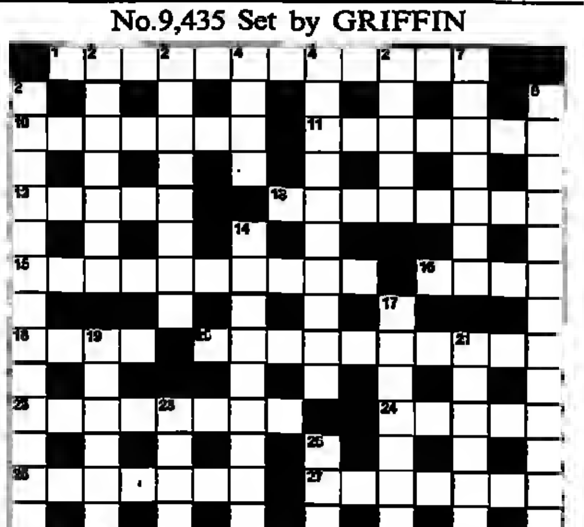
Gold (per troy oz)♣	$322.85	-1.15
Silver (per troy oz)♣	433.00c	+2.00
Platinum (per troy oz.)	$416.50	+0.50
Palladium (per troy oz.)	$196.00	+1.00
Copper	115.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	13.76r	
Tin (New York)	253.5	
Cattle (live weight)	98.09p	+0.73*
Sheep (live weight)	110.07p	+5.24*
Pigs (live weight)†	81.47p	-3.04*
Lon. day sugar (raw)	$280.30	-0.20
Lon. day sugar (wte)	$341.50	+1.50
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Aug)♥	59.50p	
Rubber (Sep)♥	61.00p	
Rubber (KL RSS No1)	243.0r	+1.0
Coconut Oil (Phil)§	585.0y	-12.5
Palm Oil (Malay.)§	475.0z	-7.5
Copra (Phil)§	$385.0y	-10.0
Soyabeans (US)	198.0	
Cotton Outlook'A' index	81.55c	
Wooltops (64s Super)	423p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Jul/Aug. z Aug. w Sep. ♥London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 1,405 head of pigs sold.

JOTTER PAD

CROSSWORD

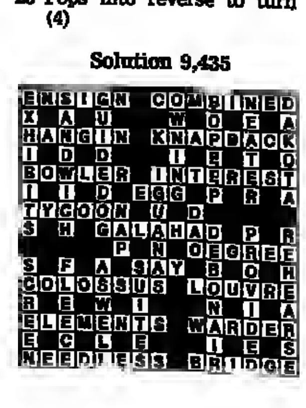
No.9,435 Set by GRIFFIN



ACROSS
1 Cleric with capital tips her cook (6,6)
10 Divorcee has enough for case (7)
11 The language of bridge is hard to follow (7)
12 The West End has choice fabric (5)
13 Figure made man pant and go mad! (8)
15 Game finishes here; he and I then get moving (10)
16 Not tied up for nothing (4)
18 Tear this for a saline drip (4)
20 Tandem wobbled, barely in control (10)
22 Representative of a less corrupt person (8)
24 Shut up about accountant being a nut! (5)
26 Swordsman hiding in tepee is terrified (7)
27 Servant takes missing bottle opener back in parcel (7)
28 Len made a girl drunk with this? (5,3,4)

DOWN
2 A mother with vitality is shocking (7)
3 I may always overlook it in staff being rude (8)
4 Lean over and kick back (4)
5 Well-mannered PC user felt off (10)
6 Cut up about last night, to be precise (5)
7 Start scattering grit before Reg slips up (7)
8 Pop round backstage with badly rusted cleaner (7,6)
9 Way of getting from coast to coast down under (7,6)
14 He needs time to suppress a top informer (10)
17 I play-act in a way which is unusual (8)
19 Boring place which makes a lot of money! (3-4)
21 Cry out once cold student gets level (7)
23 Fluctuation when Tories finally gain Gateshead? (5)
25 Pops into reverse to turn (4)

Solution 9,435



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FT MANAGED FUNDS SERVICE

Offshore Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

هكذا من الاصل

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

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OTHER OFFSHORE FUNDS

● MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

هكذا من الأصل

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind R		£28¼	—	*£28¼	£20¼	2,811	2.7	♦
Barlow	‡†	£7⅜	—	£7¼	£5¼	1,471	2.0	15.3
Gold Flds Prop R	‡	183½	+1	188½	120	18.8	4.6	14.4
SA Brews		£18¼	+⅞	£19⅝	£13¼	3,456	2.0	♦
Standard Bank		£28⅞	+⅛	£30	£21	3,477	1.8	♦
Tiger Oats	†	1010	—	1100	790	1,526	1.8	19.7
Tongaat-Hulett		733½	+3½	788½	676¼	714.4	2.5	♦

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formats.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 21(4)(V) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡1 Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield, p/e based on earnings updated by latest interim statement.
- ≠ Unregulated collective investment scheme

a Yield based on annualised dividend. h Figures based on prospectus or other official estimates. e Assumed dividend payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. z Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. z Dividend yield includes a special payment. F Yield based on prospectus or other official estimates for 1996-97. G Assumed yield after pending scrip and/or 1996. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1997-98. 0 Dividend is paid in whole or part as a FID (Foreign Income Dividend). & Forecast annualised yield, p/e based on prospectus or other official estimates.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion.

LONDON STOCK EXCHANGE

Equities off as CBI survey fails to reassure

MARKET REPORT

By Peter John

The rise of sterling against the D-Mark continued to exert its grip on exporters and restrained early attempts to push the Footsie higher.

The impact of the UK currency standing stolidly above DM3.00, its highest level for almost eight years, outweighed earlier economic optimism drifting over from the US.

Then, when New York opened lower on profit-taking, Footsie fell back to close a net 11.6 lower at 4,862.9.

The FTSE 250 fell 3.4 to 4,478.4 and the SmallCap dropped 3.0 to 2,187.6. Overall trading volume was 812m shares by 6pm.

Initially, London wallowed in direction-less intra-market trading, which led the Footsie down 19 points in the first half hour of trading. It rapidly bounced back to a net gain of 23 points as figures showed the UK trade deficit had narrowed to £508m in May from £989m in April.

Dealers were principally looking for a pointer from the Confederation of British Industry's quarterly industrial trends survey.

But when the data came out, they merely confirmed the *growing split between exporters and* domestic retailers. The CBI said export orders in the four months to July fell at their fastest rate since Oct 1991, while domestic demand grew at its fastest rate since April 1995.

The survey also showed that export optimism was at its lowest level since October 1980.

However, there was some comfort from the view that sterling's strength was likely at least to mitigate the need for higher base rates.

And the survey added that profit margins were being helped by improved output prices and restrained labour costs.

Footsie began to creep higher *throughout lunchtime, with genuine* buying in some of the big domestic earners such as Centrica and Railtrack.

NatWest Securities believes the currency issue will be central to market psychology for some time and has raised its short-term sterling/D-Mark target from DM2.85 to DM3.30.

Mr David McBain, UK strategist at NatWest, argues that if the pound hits that level, forecasts will have to be re-examined.

"We saw a welter of profit downgrades in May and June. But companies could be faced with a year-end average of DM3.00, which is a chunky rate. We are set fair for another batch *of downgrades," he said.*

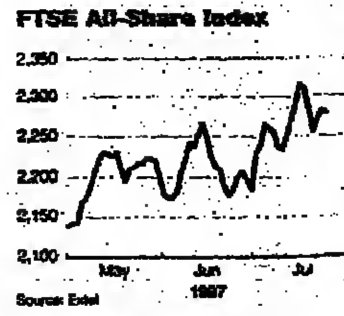
The signals were there in an interim results statement from ICI, which highlighted currency related losses.

Although analysts were not actually cutting forecasts there was a feeling that some were starting to sharpen their knives.

In late UK trading, there was further pressure from a slide in the Dow Jones Industrial average, which reacted to a larger than expected fall in US unemployment figures.

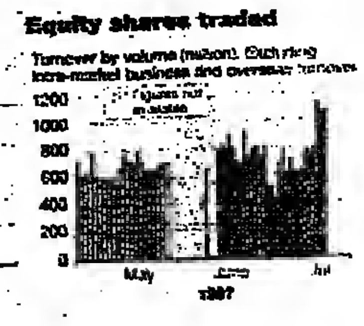
The Dow was off 70 points during its first hour of trading, losing some of the gains recorded after Tuesday's Humphrey Hawkins testimony by the chairman of *the US Federal Reserve.*

FTSE All-Share Index



Equity shares traded

Turnover by volume (million). Excluding intra-market business and overseas turnover



Indices and ratios

FTSE 100	4862.9	-11.6
FTSE 250	4478.4	-3.4
FTSE 350	2333.3	-4.9
FTSE All-Share	2278.04	-4.63
FTSE All-Share yield	3.41	3.40
FT 30	3075.5	-12.5
FTSE Non-Fins p/e	19.40	19.44
FTSE 100 Fut Sep	4878.0	-17.0
10 yr Gilt yield	7.03	7.00
Long gilt/equity yld ratio	2.07	2.06

Best performing sectors

1 Gas Distribution ....+1.2
2 Life Assurance ....+1.2
3 Retailers: Food ....+1.1
4 Breweries: Pubs & Rest ....+0.9
5 Leisure & Hotels ....+0.9

Worst performing sectors

1 Extractive Inds .... -2.1
2 Telecommunications .... -1.1
3 Chemicals .... -1.3
4 Banks: Retail .... -1.0
5 Retailers: General .... -0.7

Forecast cuts at Boots

By Joel Kibazo and Martin Brice

Profit-taking and disappointment with first quarter trading data sent retailer Boots tumbling.

One analyst called the 7.2 per cent sales improvement (or 5.1 per cent on a like-for-like basis) at Boots the Chemist "as good a number as they have produced in recent years".

But there was disappointment in the performance of the Do It All division and the Boots Healthcare International subsidiary.

The shares fell sharply on the trading news that was published as the group held its annual meeting. By the close they had fallen 29 to 787p, the worst performer in the FTSE 100.

Previously, bullish brokers rushed to downgrade current year profit expectations to between £570m and £575m. BZW was said to have moved its recommendation from a "buy" to a "hold" while SGST is understood to have advised clients to switch out of Boots to Kingfisher.

James Capel and Merrill Lynch also advised clients this week to take profits in the stock. Dealers further attributed the day's slide to general profit-taking.

The stock out performed the market by 11 per cent.

But, if Kingfisher was an initial beneficiary of a switch out of Boots, the benefits proved short-lived. The shares lost their initial gains after the company confirmed recent press speculation that it is in talks to buy the 74 per cent stake in BUT, the French furniture and electrical goods retailer, which it does not already own.

While the bulls of the stock saw the announcement as a positive move that could provide synergies with Darty, its existing electrical retailer in France, concerns that Kingfisher might overpay to win control of the group soon cast a shadow over the stock.

The shares closed 15 off at 701½p, having traded 2.2m by the close of the session.

Biocompatibles continued its fall, off 17½ to 980p, on fears that the delay in finalising an agreement with Johnson & Johnson meant the licensing talks had floundered.

Volumes were small, however, and the shares are finding favour among some investors. Mr Nigel Barnes at Merrill Lynch is bullish on the stock and told clients: "The recent price weakness is unjustified and presents an exceptional opportunity to acquire a fundamental holding in one of the most exciting healthcare companies in Europe."

The delay in finalising a deal is said to be due to the late inclusion in the talks of the subject of J & J marketing some Biocompatibles products, which Mr Barnes says "significantly increases their revenue potential". He estimates the shares could be worth £16 and has told clients: "Prospects for strong growth in both revenues and profits are still very much intact".

The strong pound was weakening overseas earners with ICI at the top of the list of sufferers. The shares shed 17 to 908p. The company said currency effects lopped £80m off its interim pretax profits and the full-year results would lose £150m for the same reason.

Analysts were said to be sticking with earlier forecasts of about £430m for the full year. But traders suggested further sterling strength would make the shares suffer, and the risks associated with holding ICI stock would rise with the pound.

Among other overseas earners, David S. Smith, the paper and packaging company, continued to suffer from the implications of a strong pound, and fell 9½ to 179½p. In August they were at 344p, but the shifting currency has prompted a series of downgrades and the shares have fallen in line with them.

Every pfennig the pound strengthens costs the company £1m, and yesterday sterling continued strong against the D-Mark. Last week the company revealed annual profits down from £125m to £96m.

Pilkington was off a penny after its annual meeting highlighted the issue of lower price levels in Europe but found support at this level and closed firmer at 131½p.

Critchley, the plastic mouldings and and cable accessories maker, gave up 25 to 542½p after announcing its first-quarter performance had been affected by currency.

Johnson Matthey fell 7 to 564½p. The word is that a holder of around 9 per cent of the company has put a "for sale" sign on the stake.

Speculation that Smiths Industries might soon announce a rights issue to fund its next acquisition saw the shares reverse Wednesday's strong gains and fall 11½ to 745p.

The shares had risen on news that the European Commission had cleared the merger of McDonnell Douglas with Boeing, for which Smiths is a supplier.

Yesterday, attention shifted to a press report saying the group is planning a bid for BOC Group's healthcare unit Ohmeda. The report quoted the group's finance director as saying Smiths would be prepared to issue paper to fund the acquisition and might consider a rights issue of up to £500m.

BOC fell 18 to £11.23½ as the stock ran into a touch of profit taking following its announcement that it was to sell its healthcare side. NatWest Securities, which yesterday reiterated its "add" stance, estimates the shares should "trend towards the £12.00 level" while Goldman Sachs yesterday repeated its "market outperformer" rating.

Ted Baker, the men's shirt retailer, made an impressive debut on the market yesterday. The shares were placed last week at 135p a share by Charterhouse Tilney valuing the group at £55.7m.

In their first session, the shares advanced to a peak of 140p, a level that saw several crosses in the stock before it came off the day's highs to close at 139½p.

Centrica produced a 5¾ rise to 86¾p, the largest rise in the FTSE 100. The advance was said to be driven by some switching out of BG, off 2 at 239½p, following the latest spat with Ofgas, the industry regulator, over price controls for Transco, the pipeline business. The row broadened yesterday as Mr David Varney, BG's chief executive, said the company and Ofgas had agreed to the MMC proposals but Ofgas now proposed to transform them.

United Utilities continued to bounce back from the news of the departure of chief executive Mr Brian Staples, and edged up 19½ to 731p.

Reuters reversed previous declines and was ahead 20 at 618½p after Lehman Brothers shifted from a neutral stance to "outperform".

FT 30 INDEX

	Jul 24	Jul 23	Jul 22	Jul 21	Jul 18	Yr ago	*High	*Low
FT 30	3075.5	3088.0	3072.5	3061.5	3105.7	2632.9	3128.1	2668.8
Ord. div. yield	3.57	3.55	3.58	3.60	3.54	4.21	4.22	3.50
P/E ratio net	18.14	18.22	18.08	17.96	18.75	15.92	18.98	15.80
P/E ratio nil	17.95	18.03	17.90	17.78	18.56	15.76	18.78	15.71

FT 30 since compilation: high 3128.1 16/07/97; low 49.4 26/06/40. Base Date: 1/7/35

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
3086.4	3068.5	3084.7	3079.0	3083.0	3092.3	3092.1	3085.2	3075.2	3090.8	3062.0

	Jul 24	Jul 23	Jul 22	Jul 21	Jul 18	Yr ago
SEAQ bargains	43,727	48,288	46,531	49,055	54,850	26,426
Equity turnover (£m)†	-	NA	3508.4	4404.9	4170.7	1376.1
Equity bargains†	-	NA	43,299	61,365	49,982	29,132
Shares traded (mi)†	-	NA	859.2	1062.8	1058.9	486.9

†Excluding intra-market and overseas turnover but including Crest turnover

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	628	Total Highs	86	Total contracts	16,982
Total Falls	764	Total Lows	87	Calls	8,339
Same	1,686			Puts	8,643

Jul 24 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	4895.0	4878.0	-9.0	4915.0	4850.0	10139	72952
Dec		4944.0	-6.0			0	4676
Mar		4986.0	-9.8			0	101

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	4515.0	4519.0	-7.0	4515.0	4515.0	15	2117

FTSE 100 INDEX OPTION (LIFFE) (4860) £10 per full index point

	4700		4750		4800		4850		4900		4950		5000		5050	
	C	P	C	P	C	P	C	P	C	P	C	P	C	P	C	P
Aug	[illegible]															
Sep	[illegible]															
Oct	[illegible]															
Nov	[illegible]															
Dec†	[illegible]															

Calls 2,210 Puts 1,165

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4675		4725		4775		4825		4875		4925		4975		5025	
Aug	217	31½	178½	43½	144	58	112½	76½	85½	[illegible]						
Sep	271	70	235½	84	202	100	171	113½	143	[illegible]						
Oct	309	83½	288	99	234½	116½	206½	136½	178½	[illegible]						
Dec			344	131			281	165½			[illegible]					
Mar†			412½	163			349½	195½			[illegible]					

Calls 1,036 Puts 4,080 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m)	1997 High	Low	Stock	Close price p	+/-	Net div.	Div cov	Grs yld	P/E net
§	FP	85.5	139½	124½	Amisone	135½		W5.0	1.8	4.6	15.2
§100	FP.	25.6	122½	109½	Cammell Laird	120½	-2	L3.8	2.1	3.9	11.8
§130	FP	31.9	109½	105½	†Citadel Holdings	106½		-	-	-	-
§250	FP	15.8	275	265	Delcam	267½		L2.5	4.4	1.2	24.2
	FP	-	116	114	EMI B	115		22.75	-	3.1	-
•	FP.	2.02	28	24	†Euro Mining Fin	25		-	-	-	-
§150	F.P.	237.1	202	162½	Galen Hldgs	195½	+½	L0.9	5.7	0.6	31.5
§	FP	21.4	162½	135½	Greyman Group	146½		R0.5	3.2	3.0	11.4
§2.5	FP	2.75	3½	2¼	†Grosvenor Hldgs	2¾		-	-	-	-
§	FP	1.20	1	½	†Grosvenor Hld Wt	1		-	-	-	-
§125	FP	8.66	135	110½	†Holcon Publing	113½	+3	-	-	-	-
§135	FP	63.5	148½	142½	Hitachi Cred UK	148½		L4.3	1.4	3.6	24.7
§160	FP.	18.9	174½	172½	†Kingfisher Lea	174½	+1	LW2.0	6.0	1.4	14.6
§	FP	12.5	140½	124½	Primeagle	125	-½	-	-	-	12.5
§55	FP	8.91	64½	56½	†Pycraft & Arnold	57		-	-	-	13.1
100	FP	32.7	112½	88½	Reabourne Merlin	108½		-	-	-	-
§	FP	88.5	227	204½	Royalblue Grp	225½		[illegible]	2.6	0.9	52.7
§100	FP	7.70	120½	101½	†SBS Group	108½		L2.4	2.0	2.6	19.1
§	FP	57.6	140½	131½	Ted Baker	133½		L3.49	0.1	3.1	-
	FP	-	22¾	19½	Thorn B	21		-	-	-	-
•	FP	4,576	373½	285½	Woolwich	286	-1	L7.9	2.1	3.5	17.1

* Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Jul 23	% chg on day	Jul 22	Year ago	Gross div yield %	P/E ratio	52 week High	Low
Gold Mines Index (31)	1368.98	-0.8	1379.45	1980.42	2.34	-	2074.81	1270.14
Regional Indices								
Africa (14)	1431.21	-0.7	1440.88	2688.00	5.50	23.25	2775.96	1324.06
Australasia (6)	1472.04	-0.5	1479.74	2229.07	3.57	17.08	2455.10	1306.10
North America (11)	1349.01	-0.8	1360.39	1715.77	1.04	68.50	1861.46	1244.23

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Jul 24	Day's chge%	Jul 23	Jul 22	Jul 21	Year ago	Div yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4862.9	-0.2	4874.5	4846.7	4805.7	3684.7	3.35	2.02	18.43	90.17	2076.25
FTSE 250	4478.4	-0.1	4481.8	4461.8	4464.1	4205.3	3.70	1.61	20.90	94.63	1974.28
FTSE 250 ex IT	4476.2	...	4478.0	4459.7	4463.2	4238.3	3.88	1.64	19.71	97.54	1978.86
FTSE 350	2333.3	-0.2	2338.2	2325.4	2309.6	1846.5	3.42	1.94	18.85	44.38	2035.48
FTSE 350 ex IT	2334.2	-0.2	2338.9	2326.2	2310.2	-	3.44	1.95	18.62	12.42	1044.36
FTSE 350 Higher Yield	2267.2	...	2268.1	2255.9	2238.9	1779.2	4.61	1.77	15.35	53.70	1677.14
FTSE 350 Lower Yield	2404.5	-0.3	2412.9	2399.5	2384.7	1920.9	2.43	2.21	23.26	34.62	1715.31
FTSE SmallCap	2187.60	-0.1	2190.58	2188.97	2188.49	2092.86	3.22	1.75	22.17	41.15	1860.82
FTSE SmallCap ex IT	2145.85	-0.1	2149.32	2151.33	2151.34	2090.85	3.50	1.83	18.45	44.41	1842.17
FTSE All-Share	2278.04	-0.2	2282.67	2270.91	2256.49	1827.38	3.41	1.93	19.04	43.32	2017.01
FTSE All-Share ex IT	2278.50	-0.2	2282.99	2271.40	2256.87	-	3.45	1.94	19.67	12.40	1037.75

FTSE Actuaries Industry Sectors

	Jul 24	Day's chge%	Jul 23	Jul 22	Jul 21	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	4702.48	-0.1	4705.39	4672.13	4650.59	3470.92	3.24	2.01	19.17	85.78	2105.13
12 Extractive Industries(5)	4085.82	-2.1	4171.94	4181.15	4181.86	3975.83	3.85	2.39	13.62	104.80	1248.80
15 Oil, Integrated(3)	4969.67	+0.2	4961.11	4820.27	4891.72	3585.71	3.36	1.95	19.11	90.43	2287.20
19 Oil Exploration & Prod(12)	3794.73	+0.2	3788.14	3759.91	3750.99	2501.11	1.52	2.19	37.86	38.65	2325.32
20 GEN INDUSTRIALS(264)	1881.98	-0.3	1887.53	1874.88	1871.75	1974.30	4.28	1.90	15.47	44.15	1078.82
21 Building & Construction(35)	1339.29	-0.1	1340.34	1343.37	1342.86	1133.02	3.32	1.96	19.19	25.35	1185.20
22 Building Matls & Merchs(30)	1784.91	+0.1	1783.95	1778.37	1770.82	1852.64	4.52	2.82	9.81	41.88	943.42
23 Chemicals(26)	2464.53	-1.3	2496.52	2455.27	2450.82	2360.51	4.28	1.55	18.81	59.84	1227.30
24 Diversified Industrials(15)	[illegible]										
25 Electronic & Elect Equip(37)	[illegible]										
26 Engineering(67)	[illegible]										
27 Engineering, Vehicles(13)	[illegible]										
28 Paper, Pckg & Printing(27)	[illegible]										
29 Textiles & Apparel(14)	[illegible]										
30 CONSUMER GOODS(93)	[illegible]										
32 Alcoholic Beverages(7)	[illegible]										
33 Food Producers(23)	[illegible]										
34 Household Goods(17)	[illegible]										
36 Health Care(19)	[illegible]										
37 Pharmaceuticals(18)	[illegible]										
38 Tobacco(2)	[illegible]										
40 SERVICES(272)	[illegible]										
41 Distributors(32)	[illegible]										
42 Leisure & Hotels(31)	[illegible]										
43 Media(44)	[illegible]										
44 Retailers, Food(15)	[illegible]										
45 Retailers, General(53)	[illegible]										
47 Breweries, Pubs & Rest.(22)	[illegible]										
48 Support Services(56)	[illegible]										
49 Transport(23)	[illegible]										
60 UTILITIES(31)	[illegible]										
62 Electricity(16)	[illegible]										
64 Gas Distribution(2)	[illegible]										
66 Telecommunications(8)	[illegible]										
68 Water(12)	[illegible]										
69 NON-FINANCIALS(672)	[illegible]										
70 FINANCIALS(107)	[illegible]										
71 Banks, Retail(10)	[illegible]										
73 Insurance(17)	[illegible]										
74 Life Assurance(7)	[illegible]										
77 Other Financial(29)	[illegible]										
79 Property(44)	[illegible]										
80 INVESTMENT TRUSTS(127)	[illegible]										
88 FTSE All-Share(907)	2278.04	-0.2	2282.67	2270.91	2256.49	1827.38	3.41	1.93	19.04	43.32	2017.01
105 FTSE All-Share ex IT(780)	2278.50	-0.2	2282.99	2271.40	2256.87	-	3.45	1.94	19.67	12.40	1037.75
FTSE Fledgling	[illegible]										
FTSE Fledgling ex IT	[illegible]										
FTSE AIM	[illegible]										

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	[illegible]										
FTSE 250	[illegible]										
FTSE 350	[illegible]										
FTSE SmallCap	[illegible]										
FTSE All-Share	[illegible]										

Further information is available on http://www.ftse.com

† Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

FTSE INTERNATIONAL

TRADING VOLUME

Major Stocks Yesterday

	Vol. '000s	Closing price	Day's change
[illegible]			

هكذا من الاصل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jul 24 / Sch)

BELGIUM/LUXEMBOURG (Jul 24 / Frs.)

CZECH REP (Jul 24 / Koruna)

DENMARK (Jul 24 / Kr)

FINLAND (Jul 24 / Mka)

FRANCE (Jul 24 / Frs.)

		+/-	High	Low	Yld	P/E
AGF	208.10	+4.10	231.40	128.20	2.4	10.5
Accor§	922	-15	955	606	2.2	27.9
AirLiq	969	+5	984	759	1.4	25.5
Alctel	787	-8	804	358	1.3	45.2
AxPI	1,356		1,749	1,200	1.7	—
Axa	394.30	-2.50	405	262.80	1.9	23.8
BIC	987	-2	1,000	674	1.1	50.3
BNP	265.60	-9.30	282	171	2.0	14.3
Bncair	741	-7	815	407.20	1.3	—
BFoure	332.30xd	-5.70	346	159	1.2	18.8
Bongrn	2,425	+5	2,540	1,985	2.5	14.4
Bygues	487xd	—	618	444.80	0.5	10.9
CGIP	1,770	-5	1,848	1,116	3.1	—
CPR	450	-3	515	353	4.9	13.2

GERMANY (Jul 24 / Dm.)

GREECE (Jul 24 / Drachma)

ITALY (Jul 24 / Lire)

NETHERLANDS (Jul 24 / Fls.)

NORWAY (Jul 24 / Kroner)

POLAND (Jul 24 / Zloty)

PORTUGAL (Jul 24 / Escudo)

SPAIN (Jul 24 / Pts.)

SWEDEN (Jul 24 / Kronor)

SWITZERLAND (Jul 24 / Frs.)

TURKEY (Jul 24 / Tk. Lira)

PACIFIC

JAPAN (Jul 24 / Yen)

HONG KONG (Jul 24 / H.K.$)

INDONESIA (Jul 24 / Rupiah)

MALAYSIA (Jul 24 / MYR)

NEW ZEALAND (Jul 24 / NZ $)

SINGAPORE (Jul 24 / S$)

AUSTRALIA (Jul 24 / AusS)

SOUTH KOREA (Jul 24 / Won)

TAIWAN (Jul 24 / TW $)

THAILAND (Jul 24 / Baht)

NORTH AMERICA

CANADA

TORONTO (Jul 24 / Can $)

4 pm close

MONTREAL (Jul 24 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Jul 24 / Rand)

Prices supplied by Extel, part of FT Information.

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. ‡ Prices in US $

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INDICES

	Jul 24	Jul 23	Jul 22	1997 High		Low	
Argentina							
General(29/12/77)	(u)	23347.58	22833.65	23654.12	11/7	0.00	9/7
Australia							
All Ordinaries(1/1/80)	2576.4	2683.4	2656.4	2745.60	2/7	2362.20	1/4
All Mining(1/1/80)	834.5	843.5	845.6	987.10	24/2	831.10	8/7
Austria							
Credit Aktien(30/12/84)	450.02	453.16	443.90	453.16	23/7	374.40	9/1
Traded Index(2/1/91)	1439.65	1452.78	1408.44	1452.78	23/7	1130.22	8/1
Belgium							
BEL20(1/1/91)	2581.58	2601.58	2539.52	2601.58	23/7	1871.05	2/1
Brazil							
Bovespa(29/12/83)	(u)	12427.0	12235.0	13917.00	8/7	6855.58	2/1
Canada							
Metals Minls♦(1975)	(u)	5252.73	5085.58	5981.75	10/3	4845.88	11/4
Composite♦(1975)	(u)	6765.20	6714.25	6765.20	23/7	5578.30	14/4
Portfolio§§(4/1/83)	(c)	3424.99	3383.61	3432.27	16/7	2846.02	11/4
Chile							
IGPA Gen¶(31/12/80)	(u)	5570.99	5635.49	5666.71	4/7	4812.42	2/1
Denmark							
CopenhagenSE(3/1/83)	647.58	652.29	644.04	658.29	17/7	470.14	2/1
Finland							
HEX General(28/12/90)	3508.84	3489.10	3431.30	3532.87	17/7	2483.28	2/1
France							
SBF 250(31/12/90)	1940.90	1953.40	1909.98	1953.40	23/7	1533.19	2/1
CAC 40(31/12/87)	2973.53	3003.53	2921.13	3003.53	23/7	2258.97	2/1
Germany							
FAZ Aktien(31/12/58)	1449.65	1467.25	1410.45	1467.25	23/7	986.21	2/1
Commerzbank(1/12/53)	4253.50	4294.90	4134.20	4294.90	23/7	2875.90	2/1
DAX‡(30/12/87)	4335.74	4406.09	4230.42	4406.09	23/7	2849.77	2/1
Greece							
Athens SE(31/12/80)	1569.15	1543.23	1535.81	1727.70	23/5	954.54	2/1
Hong Kong							
Hang Seng(31/7/64)	15709.23	15738.81	15446.78	15738.81	23/7	12065.17	3/4
India							
BSE Sens.(1978)	4225.97	4251.13	4186.28	4404.69	9/7	3225.24	2/1
Indonesia							
Jakarta Comp.(10/8/82)	712.04	718.10	711.44	740.83	8/7	631.27	15/4
Ireland							
ISEQ Overall(4/1/88)	3632.70	3629.05	3584.29	3632.70	24/7	2725.87	2/1
Italy							
Banca Comm Ital(1972)	951.05	959.19	932.28	969.10	23/7	842.56	2/1
MIB General(2/1/87)	1429.0	1442.0	1401.0	1442.00	23/7	991.00	2/1
Japan							
Nikkei 225(16/5/49)	20266.23	20130.51	20157.02	20681.07	16/6	17303.65	10/1
Nikkei 300(1/10/82)	300.26	297.96	298.09	302.73	17/7	281.04	27/1
Topix(4/1/68)	1538.76	1529.63	1531.60	1560.28	26/6	1320.82	10/4
2nd Section(4/1/68)	1785.27	1791.90	1793.32	1848.25	30/6	1548.50	15/4
Malaysia							
KLSE Comp.(4/4/86)	1045.86	1034.07	1018.01	1271.57	25/2	1001.55	16/7
Mexico							
IPC(Nov 1978)	(u)	4742.12	4652.19	4882.38	16/7	3358.45	2/1
Netherland							
CBS TRtnGen(End 83)	1146.2	1152.7	1123.7	1152.70	23/7	730.80	2/1
CBS All ShrEnd 83)	662.3	666.0	649.3	666.00	23/7	429.00	2/1
New Zealand							
Cap. 40(1/7/86)	2492.30	2494.97	2453.82	2526.85	4/7	2207.48	1/4
Norway							
Oslo SE(Ind)(2/1/83)	2110.41	2116.74	2083.25	2121.94	16/7	1639.63	2/1
Philippines							
Manila Comp(2/1/85)	2572.80	2638.37	2656.73	3447.60	3/2	2489.38	20/5
Portugal							
BVL 30(4/1/93)	3399.50	3398.58	3354.44	3481.10	8/7	2165.57	2/1
Singapore							
SES All-S'pore(2/4/75)	503.34	500.82	497.64	573.08	17/2	479.94	29/4
South Africa							
JSE Gold(28/9/78)	952.6¶	982.4	993.2	1586.10	27/2	903.80	7/7
JSE Ind.(28/9/78)	9026.3¶	9032.3	8884.9	9032.30	23/7	7659.50	2/1
South Korea							
KoreaCmpEx**(4/1/80)	739.04	730.58	725.86	792.29	17/6	611.05	7/1
Spain							
Madrid SE(30/12/85)	596.26	612.76	613.18	628.15	7/7	434.54	2/1
Sweden							
AffarsvardsGen(1/2/37)	(u)	3212.0	3178.6	3282.20	16/7	2378.50	2/1
Switzerland							
SMI Index(1/7/88)	5849.2	5869.9	5877.1	6012.80	6/7	3822.80	7/1
SPI General(1/6/87)	3708.81	3708.58	3608.20	3708.79	8/7	2508.22	6/1
Taiwan							
WeightedPr.**(30/6/66)	9632.42	9381.06	9550.40	9833.77	21/7	6844.75	6/1
Thailand							
Bangkok SET(30/4/75)	634.00	631.28	659.78	858.97	22/1	464.77	19/6
Turkey							
IMKB Nat 100(1986)	1925.00	1919.00	1953.00	2043.00	14/7	985.00	2/1
WORLD							
MS Capital IntS(1/1/70)	970.9*	976.0	970.4	978.60	18/7	794.50	14/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	2766.34	2774.62	2679.77	2774.62	23/7	1858.80	2/1
FTSE E 100(26/6/90)	2295.57	2315.04	2268.39	2315.04	23/7	1582.99	2/1
HSBC JC Drgn(31/12/88)	(u)	425.11	421.29	429.46	30/1	381.63	29/4
ING Brngs Emrg(7/1/92)	(u)	189.18	185.16	198.81	9/7	159.74	2/1

US INDICES

Dow Jones	Jul 23	Jul 22	Jul 21	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	8088.36	8061.65	7906.72	8088.36	6391.69	8088.36	41.22
				(23/7)	(11/4)	(23/7/97)	(8/7/32)
Home Bonds	104.37	103.99	104.13	104.37	101.09	109.77	54.99
				(23/7)	(14/4)	(18/10/93)	(1/10/81)
Transport	2907.79	2893.85	2827.33	2907.79	2222.07	2907.79	13.23
				(23/7)	(2/1)	(23/7/97)	(8/7/32)
Utilities	230.97	232.38	228.91	240.85	209.47	256.46	16.53
				(22/1)	(25/4)	(31/8/93)	(8/7/32)

DJ Ind. Day's high 8198.15 (8093.93) Low 8024.50 (7870.72) (Theoretical♦)
Day's high 8147.82 (8068.61) Low 8058.16 (7906.02) (Actual♦)

Standard and Poors	Jul 23	Jul 22	Jul 21	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	936.56	933.98	912.94	936.59	737.01	936.59	4.40
				(16/7)	(2/1)	(16/7/97)	(1/6/32)
Industrials¶	1106.10	1103.27	1078.04	1108.62	865.42	1108.62	3.52
				(16/7)	(11/4)	(16/7/97)	(30/6/32)
Financial	105.89	105.30	102.97	105.89	80.75	105.89	7.13
				(23/7)	(2/1)	(23/7/97)	(4/8/74)
NYSE Comp.	485.51	483.89	474.50	485.51	399.47	485.51	4.64
				(23/7)	(11/4)	(23/7/97)	(25/4/42)
Amex Comp.	634.65	634.20	630.40	638.03	541.20	638.03	524.20
				(16/7)	(28/4)	(16/7/97)	(16/7/96)
NASDAQ Cmp	1567.65	1563.86	1536.24	1580.63	1201.00	1580.63	54.87
				(16/7)	(2/4)	(16/7/97)	(3/10/74)

■ RATIOS

	Jul 18	Jul 11	Jul 3	Year ago
Dow Jones Ind. Div. Yield	1.64	1.63	1.63	2.30
	Jul 23	Jul 16	Jul 8	Year ago
S & P Ind. Div. yield	1.50	1.50	1.55	2.32
S & P Ind. P/E ratio	25.77	25.78	24.91	18.63

■ NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Columbia H	12,592,200	36¾	+3¼
Bay Ntwork	12,321,500	31⅛	2¼
Ph Morris	10,226,200	38¾	+3¼
Boeing	6,665,800	59⅞	+3
Wal-Mart	6,752,100	38¾	+½
AT & T	6,182,200	35⅞	-¼
Cont Ener	6,177,200	11⅞	——
IBM	5,495,000	105⅞	+2
Tele Bras	4,812,000	143⅞	+¾
Waste Mngt	4,591,200	30¾	-¼

■ TRADING ACTIVITY

● Volume (million)

	Jul 23	Jul 22	Jul 21
New York SE	616.934	584.812	452.448
Amex	26.642	27.386	23.847
NASDAQ	704.725	660.809	546.687
NYSE			
Issues Traded	3,417	3,427	3,389
Rises	1,721	2,083	952
Falls	1,153	828	1,922
Unchanged	543	516	515
New Highs	398	254	120
New Lows	16	18	27

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
■ CAC-40 (MATIF/MONEP) (200 x Index)							
Jul	3020.0	2979.0	-32.0	3034.0	2975.0	18,509	28,126
Aug	3033.0	2987.5	-29.5	3040.0	2990.0	2,822	6,229
■ DAX							
Sep	4415.0	4333.0	-87.0	4476.0	4330.0	31,845	92,484
Dec	4442.0	4366.0	-88.0	4502.5	4365.0	92	2,301
■ OMX							
Jul	2600.25	2592.00	-10.00	2668.00	2592.00	14,201	16,320
Aug	2610.00	2600.50	-10.00	2677.75	2578.00	9,742	11,421
■ SOFFEX							
Aug	5860.0	5860.0	-18.0	5923.0	5811.0	4,736	22,513

	Open	Latest	Change	High	Low	Est. vol.	Open int.
■ S&P 500							
Sep	941.60	940.70	-3.55	944.00	940.40	55,823	177,394
Dec	954.25	950.70	-0.70	954.50	950.70	225	5,442

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
■ Nikkei 225							
Sep	20210.0	20330.0	+200.0	20340.0	20150.0	15,461	170,845
Dec	-	20220.0	-	-	-	-	3,676

Open interest figures for previous day.

** Sat July 19: Taiwan Weighted Price 9749.30; Korea Comp Ex 742.15. Base values of all indices are 100 except: Australia All Ord and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, SPI, Euro Top-100, ISEQ Overall; Toronto Comp./Met & Mins, DAX - all 1,000; SMI - 1500; JSE Gold - 255.7; JSE 25 Ind - 264.3; IMKB Nat 100 - 1; NYSE All Common - 50; Stand & Poor's - 10 and Amex Comp - 550. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jul 24 - 4320.52 -84.30

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Thursday, July 24, 1997

	Stocks Traded	Closing Prices	Change on day
Mitsui Min & Sml	6.4m	534	+10
Nomura Secs	6.2m	1570	+40
Minebea	5.2m	1330	+60
Fujitsu	5.1m	1700	+30
The Daiei Inc	5.0m	905	+43
Nippon Steel Cp	4.6m	334	-1
Mitsubishi Est	4.6m	1790	+80
General Sekiyu	4.5m	715	
Mitsui Fudosan	3.7m	1590	+60
Mitsui Osk Lines	3.7m	209	-1

NEW YORK STOCK EXCHANGE PRICES

4 pm close July 24

- A -

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
39 1/16	24 1/4	AAR x	0.42	1.3	20	707	37 5/8	37 1/8	37 1/2	
49 7/8	33 1/8	AMP	1.04	2.0	45	17302	51	49 11/16	50 13/16	-1 3/4
103 3/4	78 3/4	AMR			7	3672	100	98 1/4	99 1/2	-1/16
37 5/8	28 1/2	ASA	1.20	4.0	20	457	30 3/8	30 1/8	30 1/4	-1/8
69 13/16	49 3/4	Abbott x	1.08	1.7	25	11915	64	62 7/8	63 1/16	-1/16
20 7/8	14 1/8	Abitibi	0.40	2.0	10	99	u20 1/4	20 1/16	20 1/4	-1/16
22 1/8	17 3/8	ABM Ind x	0.40	1.5	15	135	21 13/16	21 1/16	21 13/16	-1/8
29 13/16	17 3/4	Acptncdn			13	809	d24 1/8	23 7/16	24 1/8	-11/16
78 5/8	58 1/8	ACE Ltd	0.88	1.1	12	2532	u80 1/4	78 1/16	79 7/8	-1 13/16
10 1/4	10	ACM Gvt In	0.90	9.5	11	385	10 1/2	10 3/8	10 1/8	
7 7/8	7	ACM GvOpp	0.63	8.1		95	7 3/4	7 3/4	7 3/4	
10 7/16	8 1/4	ACM Man	0.90	8.8		105	u10 7/16	10 1/4	10 1/4	
10 1/8	6 1/8	Acme Elect				11	6 1/2	6 1/4	6 3/8	-1/2
20	13	Acme Mkts				111	16 1/2	15 1/8	16 1/2	-1 1/8
22 11/16	14	ACNielsen			36	1100	20 1/4	20 1/16	20 3/16	-3/16
40 1/8	27 1/4	Acordia	0.80	2.0	16	20	39 7/8	39 7/8	39 7/8	
29 3/4	19 1/8	Acuson				2336	23 1/2	22 7/8	23 1/16	-1/2
24 1/8	18 3/4	Adams Expr	0.55	2.3	1	224	24	23 13/16	24	-1/16
48 1/2	24 7/8	AdvMic				13295	36 3/4	34 7/8	35 7/8	-3/4
27 1/2	10 3/8	Advest Grp	0.12	0.5	10	297	22 1/4	22 1/4	22 3/16	-1/16
17 7/8	11 1/8	Advo Inc			21	2295	o17 13/16	17 1/16	17 11/16	-1/16
78 7/8	67 1/8	Aegon	1.31	1.7	21	653	77	76 1/2	77	-1/4
5 1/16	3 1/8	Aerflx				89	4 7/8	4 5/8	4 5/8	-1/8
54 7/16	33	Aero-V	0.80	1.5	18	1536	u54 7/8	53 11/16	54 13/16	+3/4
82 1/4	48	AES Corp				20	76 3/4	76 3/4	76 3/4	-1 1/2
112 5/8	73	Aetna x	0.80	0.7	64	61140	115 5/8	112 1/2	115 1/16	+4 5/8
56 3/8	37 1/2	Aflac	0.48	0.8	12	2040	56 3/8	55 1/2	56	-1/8
35 13/16	19 1/4	AGCO	0.04	0.1	13	20	33 5/8	33 5/8	33 5/8	-1/8
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- B -

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- C -

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- D -

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- E -

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- F -

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- G -

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- H -

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- I -

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- J -

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- K -

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- L -

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- M -

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- N -

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- O -

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- P - Q -

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- R -

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- S -

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

NYSE PRICES

4 pm close July 24

Continued from previous page

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

‡ Dealings suspended.

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AMEX PRICES

4 pm close July 24

NASDAQ NATIONAL MARKET

4 pm close July 24

- K -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
K Swiss	0.08875		36	15⅛	14½	15	
Kaman Cp	0.44	26	765	16¼	15⅝	16	+¼
Kelly Sv	0.84	18	182	31⅜	30⅞	31⅛	+¼
Kimball	1.10	14	117	40¾	40	40 9/16	+5/16
KLA-In		33	37579	u64⅜	59	63 11/16	+2¼
Koll A			z0	⅛	⅛	⅛	
Komag♣		17	8537	18¾	18⅛	18 9/16	-7/16
Kulicke S			9480	41⅝	39⅞	39¾	-1⅜

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx♣		33	27011	48 11/16	[illegible]	[illegible]	[illegible]
Xircom		21	2938	12¾	[illegible]	[illegible]	[illegible]
Xoma Corp			6869	5 5/16	[illegible]	[illegible]	[illegible]
Yellow			798	27⅛	[illegible]	[illegible]	[illegible]
York Rsch		19	919	6½	5⅞	[illegible]	[illegible]
ZionsUtah x	0.48	10	1303	35⅞	35½	[illegible]	[illegible]

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members. EASDAQ Members are made up of Brokers and Banks from across Europe.

Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$3		0	8.25	3
Artwork Systems	US$9.5	+0.125	95305	11.125	9.375
Chemunex	FFr13	-1	65000	18	13
Dr Solomon's ADS	US$26.875	+0.75	33000	28.375	16.875
Esprit Telecom ADS	US$7.25		0	12.25	5.375
Innogenetics	US$10.125		42385	12.75	10.125
Lernout & Hauspie	US$29.125	-0.125	360	30.125	[illegible]
Mercer Int'l	US$9.5		0	11.75	[illegible]
NTL	US$22.25		0	25.125	[illegible]
PixTech	US$3.875		0	6.125	[illegible]
Schoeller-Bleckmann	Sch1158	+5	20790	1158	[illegible]
Topcall Int'l	Sch3300	+10	325	3318	[illegible]

Prices for 24/7/97. Please note that mid prices are now used to calculate highs and lows.
Information about EASDAQ can be found on the Web site at HTTP://WWW.EASDAQ.be
EASDAQ offices are located in Brussels (Tel 32-2 / 227 65 20) and in London (Tel. 44-171 / 489 9990)

US shares turn lower at midsession

AMERICAS

Wall Street moved sharply lower in morning trade as a broadly-based selling spree hit blue chip and technology stocks, *writes John Labate in New York.*

The Dow Jones Industrial Average of 30 blue chip stocks was down 62.25 at 8,026.11 by early afternoon and the broader Standard & Poor's 500 index was 6.56 lower at 930.00. "After the run we've had, a pause is not unusual," said Mr David Shulman, chief equity strategist at Salomon Brothers in New York.

Concern over the strength of the dollar and the ability of US multinationals to continue to manage their currency transactions was putting some downward pressure on stocks. "Ultimately it will be harder and harder to hedge if the dollar continues to strengthen," added Mr Shulman.

Even with the market pull back, the S & P and the Dow continue to be more than 20 per cent ahead of their levels at the start of the year.

The technology group was jarred during morning trade by a report that Microsoft expected its expenses for marketing and sales to sharply increase. "Microsoft *is really pounding the table* with respect to its lofty valuation," said Ms Elizabeth Mackay, chief investment strategist at Bear, Stearns in New York. The *software* leader's shares lost 2\frac{15}{16}$ at $138¾.

The Nasdaq composite index, which is heavily weighted *in technology* issues, lost 7.91 at 1,559.74.

Other losses were taken by the networking leader, Cisco Systems, which fell $⅞ at $79½, and Oracle, down 1\frac{1}{16}$ at 55\frac{5}{16}$.

Large pharmaceutical *companies traded sharply* lower throughout the morning as Warner Lambert lost $2¼ at $139½ and Abbott Laboratories fell $1¼ at $62¾. "*These stocks are trad*ing at very high multiples now," said Ms Mackay.

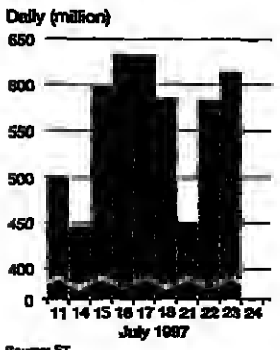
Leading the Dow index lower were computer maker Hewlett-Packard, down 1\frac{5}{16}$ at $64½, and General Electric, off $1¼ at 70\frac{5}{16}$. John*son & Johnson* fell 1\frac{1}{16}$ at 61\frac{1}{16}$ while DuPont fell $1¼ at $66¾.

TORONTO slid into negative territory at midsession after hitting new highs early in the day. Strong gains by the transportation sector and conglomerates were outweighed by losses in the heavily weighted gold and banking sectors. The TSE-300 composite index fell 11.93 to *6,753.23* at midsession, in turnover of 41.1m shares.

Potash Corp of Saskatchewan jumped C$4.85 to C$108.75 after it reported *higher second-quarter* earnings. The fertiliser company said strong volumes so far in 1997 should result in higher prices.

Methanex Corp was 30 cents higher at C$13.10 on news of sharply higher second quarter earnings.

NYSE volume



Source: FT

Mexico City buoyant

MEXICO CITY rose in response to a *crop of corpo*rate earnings reports and rising regional markets.

The IPC index traded 64.78 or 1.4 per cent higher at 4,806.64.

Traders said that the market was awaiting the release of inflation figures for the first half of July which were expected to show consumer prices falling further.

Media gronp Televisa *traded 4 pesos higher at* 117.20 pesos on second-quarter earnings. Telmex was up 10 centavos at 19.98 pesos on continuing positive reaction to earnings. Gainers ontnumbered losers hy 24 to 6.

SAO PAULO started trading in a jittery mood but traders expected fears over political difficulties to fade after President Fernando Henrique Cardoso was able impose unity within the ruling coalition.

The Bovespa index was up 25 or 0.22 per cent at 1,2454.

Analysts said the market was still jumpy after the volatility over the last two weeks which was sparked by fears of a devaluation and *fuelled* by *profit-taking.*

BUENOS ARIES was expected to put in a good performance as the company results season kicks off.

But in early trade, the Merval fell slightly by 6.16 to 615.54.

S Africa index turns back

Johanneehnrg *finished* weaker, unable to sustain Wednesday's Wall Street inspired rally without fresh local news from either the government or the Reserve Bank.

The all-share index was dragged *19.9* down to 7,427 points, while the Industrial index finished 6 lower at 9,026.3 as short-term players cashed in on the previous *session's high of 9,032.3.* Some good buying was seen at the lower levels and dealers said institutione were accumulating stock.

Golds slipped after the struggling hnllion price eroded the ground from underneath them, closing down 29.8 to 952.6.

Overall volumes were hefty with more than R1bn worth of shares traded.

Electronics stocks boost Nordic markets

EUROPE

Higher than expected first-half figures from Ericsson boosted the Nordic markets, as the electronics sec*tor forged ahead* on the back of the Swedish telecommunications company's results.

However, a weak opening on Wall Street pulled ***STOCKHOLM*** *back and the* general index closed down 2.48 at 3,170.41, after an early intraday peak of 3,232.71. Ericsson, however, climbed SKr24 at SKr353 *in heavy* turnover of just under Skr3bn after its announcement of a 44 per cent rise in first-half pretax profits.

HELSINKI *was propelled* ahead by Nokia, up FM26 at FM451 on the back of Ericsson and the Hex index picked up 39.74 or 1.2 per cent at 3,508.84, in heavy turnover of FM1.1bn.

"Ericsson's figures, which were *simply great across* the hoard, made investors upgrade their profits and sales estimates for Nokia," one broker said.

Merita A rose 60 cents to FM23.90, adding to Wednesday's near 6 per cent rise.

Elsewhere in Europe, most markets saw a day of consolidation after the sharp rises of the previous aession, which took a number of markets to all time highs.

AMSTERDAM ran into profit-taking and the AEX index *closed* 3.23 lower at 985.25, after a high of 993.74.

Philips provided much support with its 128 per cent rise in second-quarter net profits, which proved better than many analysts had expected. The shares rose 8 per *cent at the opening,* before coming off to close Fl 9.20 or 5.7 per cent higher at Fl 171.30.

Financials also turned back on profit-taking, with ING down Fl 1.40 at Fl 102.60, ABN Amro easier 90 cents at Fl 49 and Aegon Fl 2 lower at Fl 159.

FRANKFURT pulled back from its best levels, as Wall Street's early showing dampened the mood and the *Ibis*-indicated Dax index closed 64.30 lower at 4,320.52.

Vereinsbank fell DM6.50 to DM105 as the market registered some disappointmeot with a 15.2 per cent rise in profits for the first half. However, the bank countered that it was well equipped for its planned merger with Hypo-Bank, which gave up DM3.30 to *DM76.30.*

Commerzbank eased DM2.30 to DM62.30 in spite of higber than expected first-half figures and as the chief executive insisted that the hank was not a takeover candidate but was itself seeking acquisitions.

Deutsche Bank lost DM6 to DM120.50 and Dresdner Bank eased DM1.85 to DM82.20.

Against the trend, Degussa rose DM2.30 to SM97 as the company said it was considering spinning off its precious metals division into a separate unit as early as *October. However, it denied* plans to sell the business.

SAP finished DM1.80 at DM431 in spite of news that the company hoped to exceed 1997 sales growth targets with the strong dollar boosting profits.

PARIS fell sharply in late trading after posting modest gains for much of the session.

The CAC-40 index finished *30.00 lower at 2,973.53, after* holding around the 3,000 level for most of the day. The index reached a session high of 3,024.67 around the time of the Wall Street opening.

LVMH eased FFr14 to FFr1,612 after the company set out further details of its proposal to Guinness and GrandMet for a merger of the three companies' wines and spirits businesses.

ZURICH pulled back on a day when derivatives-linked activity made for volatile trade and the market failed to feel the benefit of a stron*ger dollar. The SMI index, up* 3 per cent on Wednesday, gave back 20.7 at 5,849.2.

Novartis, wbose 19 per cent rise in first-half sales was in line with expectations, still lost SFr46 to SFr2,400 as some investors judged the time right to take profits.

Roche certificates rose SFr235 to SFr14,750, with some investors said to be *switching back, out of* Novartis.

Clariant, the specialty chemicals company, continued to feel the benefit of Wednesday'e hetter than expected first-half sales. The shares rose SFr28 to SFr1,078 as J. P. Morgan raised its recommendation to a buy.

The banks, said by some to have lost much credibility over their handling of the Holocaust accounts, had a mixed day. CS Group lost SFr2 to SFr202.75 and UBS fell SFr7 to SFr1,691 but SBC advanced SFr2.50 to SFr423.509.

Shares of the newly-listed insurer, Swiss Life, shot another SFr72 or 10 per cent higher at SFr800, almost 50 per cent up on the price at which they began trade on July 3.

Part of the advance was attributed to press reports of studies that have projected a long-term target for the shares of SFr900. Many analysts say, however, that even at *its current price the share* is clearly overpriced.

MILAN was lower on profit-taking after the sustained advances to a string of record highs in recent days. *The Comit* index lost 8.13 to 951.05 while the real-time Mihtel index fell 157 to 15,006.

Some analysts remain *bullish on the outlook*. Mr James Cornish at NatWest Markets, who issued a year-end target of 16,000 for the Mibtel index, rising to 18,000 by mid 1998, cited *tight fiscal* and loose monetary policy in Italy ahead of the introduction of the euro.

Some banks and insurers bucked *the downward trend.* Ambroveneto rose L97 to L8,547 and Banca di Roma gained L43 to L1,528.

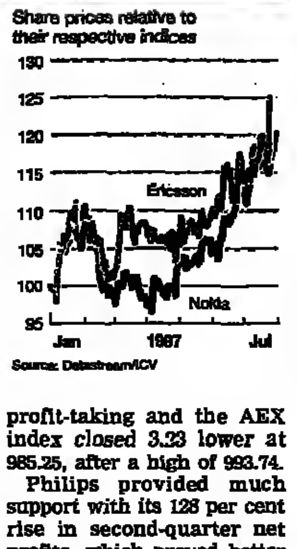
Edison tumbled L534 to L8,660 on a *decision* by Enel to cut electricity purchases from private suppliers.

OSLO, weakened by profit-taking and Wall Street, saw *the total index close* 2.78 lower at 1,269.04.

The hroad market was unsure of its direction after Wednesday's gains, although the financial sector moved ahead. Den norske Bank gained NKr0.90 to Nkr31.50, Christiania Bank was Nkr0.30 higher at Nkr26.70 and Fokus Bank closed Nkr0.50 down at Nkr61.50.

Written and edited by Michael Morgan and Clare Gascoigne

Ericsson/Nokia



Source: Datastream/ICV

FTSE Actuaries Share Indices

Jul 24								THE EUROPEAN SERIES
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	2762.11	2767.42	2768.25	2767.44	2767.06	2764.66	2767.88	2766.34
FTSE Eurotrack 200	2732.45	2738.60	2738.36	2737.71	2740.33	2737.37	2740.20	2735.88

	Jul 23	Jul 22	Jul 21	Jul 18	Jul 17
FTSE Eurotrack 100	2774.62	2679.77	2643.10	2701.63	2732.98
FTSE Eurotrack 200	2747.71	2668.97	2633.26	2663.30	2716.99

Base value 1000 (26/10/90); High/day: 100 - 2770.34; 200 - 2744.10 Low/day: 100 - 2761.76 200 - 2731.41. † Partial.

Taipei rebounds as electronics sector recovers

ASIA PACIFIC

A dramatic rebound by **TAIPEI'S** trendsetting electronics sector sent share prices surging sharply, helping the index recover more than half of the 450 points lost over the previous two sessions.

As electronics moved ever higher, the weighted index rose to close at 9,632.42, a gain of 251.36 or 2.7 per cent.

The electronics sector, *fuelled by strong fundamen*tals, recouped 6.6 per cent of the 15 per cent it had lost since Thursday of last week.

United Microelectronics *rose by the 7 per cent daily* limit shortly after the market opened, and maintained that gain to close T$7.50 higher at T$120.

TOKYO rebounded as the dollar's appreciation against the yen invigorated blue-chip exporters and buying activity spread to some domestic demand-driven laggards. Declining issues, however, outnumbered advances, *writes Gwen Robinson.*

The Nikkei 225 average rose 155.72 to 20,286.23, just under the day's high of *20,390.23, after* an intraday low of 20,164.32. Investors placed buy orders from the outset. drawn by the relatively low prices of some market-leading issues after three consecutive days of decline. New York's continued climb overnight further encouraged huying activity.

Foreign investors and some domestic institutions also sought stocks in laggard *sectors, including transport* and property-related issues, which benefited from renewed speculation about a possible revision of property taxes later this year. Bnt buying was highly selective and dominated by small-lot transactions.

Volume rose from 315m shares to an estimated 330m. Declines led advances 571 to 498 with 175 unchanged. The *Topix index of all first-sec*tion stocks rose 9.13 to 1,538.76 and the capital-weighted Nikkei 300 was up 2.30 at 300.26.

In London, the ISE/Nikkei 50 index rose 4.06 to 1,678.59.

Electricals and car makers rose on the dollar's appreciation. Sony rose Y100 to Y10,800 and TDK Y70 to Y9,100 while semiconductor-related stocks continued their steady climb.

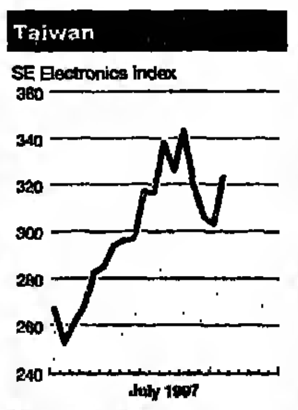
Among domestic demand-driven stocks, property developers advanced. Mitsubishi Estate gained Y90 to Y1,790, *Sumitomo Realty and* Development Y41 to Y961 and Mitsui Fudosan Y60 to Y1,590. Retailers rose on growing perceptions that consumer sentiment is recovering from the negative impact of the April 1 sales tax increase from 3 to 5 per cent.

Financial issues mostly advanced after recent declines. Nomura Securities *rose Y40 to Y1,570 after its* president confirmed the truth of most charges against the company for illegal dealings with corporate racketeers.

Analysts said investors took the admission as a sign that the broker was moving to put the scandal behind it.

In Osaka, the OSE average rose 131.73 to 21,079.46 and volume swelled to 33.4m.

Taiwan



Source: Datastream/ICV

HONG KONG was pulled back by profit-taking after a strong morning which took the market to another intraday high. Conglomerates continued to find demand, as did property stocks, following a good response to Cheung Kong's flat sales in the New Territories.

*The Hang Seng index fin*ished 29.58 lower at 15,709.23 after setting an all-time high of 15,880.57.

Turnover was HK$18.3bn, up from Wednesday's HK$16.3bn but down from last week's daily average of HK$21.1bn.

SINGAPORE was firmer at *the end of a hectic session* in which more than 355m shares were traded, with the electronics sector leading the surge. *The* advance came as DBS Investment Research said that the market was on the brink of recovery, with the economic outlook improving for the second half of the year and regional currency volatility receding.

The Straits Times Industrial index picked up at 6.59 at 1,981.28.

SEOUL closed higher as two troubled carmakers went limit up and the securities watchdog vowed to *crack down on corporate-re*lated rumour mongering.

Brokers welcomed a finance ministry announcement that it would supply *Won1,500bn to banks, and* merchant banks to ease tightening liquidity as a result of troubles with Kia.

The composite stock index rose 8.46 to 739.04. Ssangyong Group shares rebounded from their limit-lows, helped by a report that *Daimler Benz* was negotiating a capital increase to help finance Ssangyong Motors.

Kia Group, meanwhile, *said* it was *considering* selling the troubled Asia Motors. Both Ssangyong and Asia Motors rose to their upper limits of Won4,370 and *Won3,790* respectively.

MANILA closed lower as foreigners dumped blue chips, led by Meralco, on lingering currency fears after *the Thai baht came under* speculative attack.

The composite index closed 63.57 down at 2,572.80 on trade of 2.79hn shares worth 1.62bn pesos.

Most actively traded Meralco B fell 13 pesos to 129 pesos after it confirmed that the volume of electricity sales grew by only 6 per cent in the first half of this year.

JAKARTA was dragged lower hy the weaker rupiah, and the *composite index* closed down 6.14 at 712.05.

Telkom closed down 75 at 3,925 rupiah on 686,500 shares, while Astra's local *price was down 275 at 7,850* and its foreign price was down 250 at 9,750.

BANKOK staged a small technical rally in spite of *concerns over the bearish* baht outlook.

The SET index closed 2.72 higher at 634.00.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS	WEDNESDAY JULY 23 1997								TUESDAY JULY 22 1997					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (76)	233.66	0.7	206.05	171.07	221.96	211.03	1.1	3.61	232.09	205.21	169.61	216.72	206.81	243.67	190.90	193.81
Austria (25)	202.21	2.1	178.32	148.05	192.10	191.96	2.9	1.71	198.03	175.10	144.72	188.62	186.51	203.31	174.70	177.99
Belgium (29)	255.29	1.2	225.12	186.91	242.52	237.80	2.1	2.88	252.16	222.96	184.30	237.86	232.72	261.11	206.86	208.94
Brazil (30)	296.34	1.6	261.33	216.96	281.62	590.20	1.7	1.24	291.53	257.78	213.06	274.74	580.20	322.44	170.26	178.43
Canada (127)	219.77	0.8	193.80	160.90	208.77	219.75	0.9	1.66	218.05	192.81	159.36	205.49	217.86	220.92	154.12	155.21
Denmark (32)	404.63	0.1	356.82	296.25	384.39	382.92	0.9	1.33	404.43	357.60	295.57	381.14	379.64	421.25	303.46	308.02
Finland (26)	301.19	0.6	265.60	220.51	286.13	339.75	1.1	1.62	299.34	264.68	218.78	282.10	336.03	314.08	186.67	191.83
France (84)	230.78	1.7	203.51	168.97	219.24	223.06	2.5	2.36	227.00	200.72	165.90	213.93	217.61	237.57	186.94	189.42
Germany (59)	237.81	3.1	209.71	174.11	225.92	225.92	4.0	1.26	230.57	203.88	168.51	217.29	217.29	237.81	168.70	170.02
Hong Kong, China (66)	538.51	1.4	474.88	394.27	511.56	535.61	1.4	2.83	530.81	469.35	387.93	500.24	527.97	539.63	407.66	418.62
Indonesia (27)	225.89	1.1	199.19	165.38	214.59	358.90	1.2	1.81	223.44	197.57	163.29	210.57	354.67	254.90	183.62	204.43
Ireland (17)	372.41	0.8	328.41	272.66	353.79	355.41	1.2	2.75	369.48	326.70	270.02	348.20	351.05	374.84	270.08	272.64
Italy (54)	103.93	0.8	91.65	76.09	98.73	137.66	1.2	1.72	103.57	91.58	75.69	97.60	136.21	105.42	73.26	78.32
Japan (485)	136.14	-0.3	120.05	99.67	129.33	99.67	-0.1	0.79	136.50	120.70	99.76	128.64	99.76	150.97	107.57	149.24
Malaysia (107)	474.54	0.8	418.47	347.43	450.80	482.03	1.1	1.43	470.53	416.04	343.87	443.42	476.78	690.85	460.21	548.88
Mexico (27)	1700.40	2.1	1499.48	1244.93	1615.36	14578.35	1.9	1.27	1664.90	1472.13	1216.74	1569.00	14307.71	1736.93	1121.58	1151.54
Netherlands (19)	428.86	1.8	378.18	313.98	407.41	402.80	2.6	1.93	421.44	372.64	307.98	397.16	392.49	428.86	279.88	285.91
New Zealand (14)	90.13	2.0	79.48	65.99	85.62	73.68	1.7	3.94	88.32	78.09	64.54	83.23	72.42	98.47	80.77	90.82
Norway (41)	323.38	1.7	285.17	236.76	307.21	329.05	1.9	1.97	318.02	281.20	232.41	299.70	322.77	326.60	246.04	250.72
Philippines (22)	148.09	-1.4	130.59	108.42	140.68	208.96	-1.5	0.97	150.26	132.86	109.82	141.61	213.12	214.07	138.54	206.07
Singapore (42)	390.51	1.1	344.37	285.91	370.98	263.95	1.6	1.16	386.25	341.52	282.28	364.00	259.91	448.01	360.08	391.75
South Africa (44)	359.15	0.5	316.71	262.95	341.19	358.19	0.2	2.41	357.55	316.15	261.31	336.96	357.46	370.12	301.49	345.48
Spain (33)	254.84	-0.9	224.73	186.58	242.09	297.07	0.0	2.23	256.98	227.23	187.81	242.16	297.01	276.05	171.91	176.04
Sweden (49)	509.78	0.5	449.54	373.23	484.28	591.05	1.0	1.75	507.15	448.43	370.63	477.93	585.27	511.95	334.35	340.61
Switzerland (33)	317.91	2.6	280.34	232.76	302.01	292.98	3.1	1.15	309.71	273.85	226.34	291.87	284.23	329.59	231.69	241.49
Thailand (42)	55.82	-8.5	49.22	40.86	53.02	70.06	-4.4	4.41	61.03	53.96	44.60	57.51	73.31	156.37	47.55	156.37
United Kingdom (213)	321.27	0.6	283.31	235.21	305.20	283.31	0.6	3.55	318.63	281.74	232.86	300.28	281.74	325.28	231.01	233.05
USA (642)	379.93	0.3	335.04	278.16	360.93	379.93	0.3	1.62	378.80	334.94	276.83	356.96	378.80	379.93	254.76	255.01
Americas (826)	347.41	0.4	306.36	254.35	330.03	292.57	0.4	1.61	346.17	306.09	252.99	326.23	291.52	347.41	233.09	233.45
Europe (716)	283.43	1.4	249.94	207.51	269.26	268.80	1.6	2.39	279.61	247.14	204.27	263.41	264.10	284.44	204.71	207.65
Nordic (150)	431.48	0.6	380.49	315.90	409.90	438.77	1.1	1.68	428.99	379.31	313.51	404.28	434.08	437.88	291.45	297.13
Pacific Basin (881)	154.02	0.0	135.82	112.77	146.32	114.19	0.2	1.25	153.98	136.15	112.53	145.11	113.94	183.63	127.18	151.85
Euro-Pacific (1597)	208.04	0.8	183.46	152.32	197.64	172.29	1.1	1.90	206.38	182.48	150.83	194.49	170.42	209.12	173.55	180.82
North America (769)	370.00	0.3	326.29	270.89	351.50	369.24	0.3	1.62	368.82	326.11	269.54	347.57	368.05	370.00	248.65	248.94
Europe Ex. UK (503)	256.37	1.7	226.08	187.70	243.55	253.59	2.5	1.75	252.01	222.83	184.17	237.49	247.49	256.56	185.65	188.88
Pacific Ex. Japan (396)	309.31	1.0	272.76	226.46	293.84	277.66	1.2	2.68	306.28	270.82	223.84	288.64	274.37	320.65	268.97	278.77
World Ex. US (1825)	211.95	0.8	186.91	155.16	201.35	179.19	1.1	1.88	210.22	185.88	153.63	198.11	177.26	212.89	176.94	181.96
World Ex. UK (2254)	260.17	0.6	229.43	190.48	247.16	231.92	0.7	1.68	258.76	228.80	189.10	243.85	230.23	260.18	199.56	201.52
World Ex. Japan (1962)	331.56	0.7	292.38	242.75	314.97	323.52	0.9	1.94	329.14	291.02	240.54	310.18	320.73	331.60	233.10	234.73
The World Index (2467)	265.44	0.6	234.07	194.34	252.16	236.83	0.7	1.78	263.92	233.36	192.88	248.72	235.15	265.77	202.32	204.38

CONSTITUENT CHANGE WITH EFFECT 29/7/97: Addition: Elkem (Large Cap) (UK). Latest prices were unavailable for this edition.